

**DEPARTMENT OF TRANSPORTATION AND RELATED
AGENCIES APPROPRIATIONS FOR FISCAL YEAR
1985**

HEARINGS

BEFORE A

**SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE**

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 5921/S. 2852

A BILL MAKING APPROPRIATIONS FOR THE DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1985, AND FOR OTHER PURPOSES

PART 3 (Pages 1-642)

NONDEPARTMENTAL WITNESSES

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(III)

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

WEDNESDAY, MAY 2, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:12 a.m. in room SD-138, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and D'Amato.

NONDEPARTMENTAL WITNESSES

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

This morning it is our privilege to hear outside witnesses. Our first witness is representing the National Association of State Aviation Officials, Mr. Sonny Najera.

As in years past, the subcommittee has requests from about 50 people and organizations to be heard on transportation issues of every sort. In view of this, I would like to remind witnesses of our procedure by which the red light goes on after 5 minutes. We have to resort to this to make sure everyone gets a fair shake. Of course, you know your full text will be made part of the official record, as will be other materials submitted to the subcommittee.

Joseph Pulitzer offered the following advice on writing to editorial writers, columnists, and reporters. Pulitzer said: "Put it before them briefly, so they will read it, clearly so they will appreciate it, picturesquely so they will remember it, and above all, accurately so they will be guided by its light."

I might add what my first chairman on the Appropriations Committee, John Rooney from New York, told me 20 years ago when I was a very new member of the Appropriations Committee. When outside witnesses came in, he said: "The amount of money granted to their cause is in inverse ratio to the amount of time they take to express it."

So having passed along that word of advice from the past, I will be glad to start this session, and we will hear from our first witness.

It is good to have you here.

NATIONAL ASSOCIATION OF STATE AVIATION OFFICIALS

STATEMENT OF SONNY NAJERA, PRESIDENT

ACCOMPANIED BY JOSEPH G. MASON, EXECUTIVE VICE PRESIDENT

Mr. NAJERA. Thank you, Mr. Chairman.

My name is Sonny Najera. I am the director of the Division of Aeronautics for the State of Arizona, the Department of Transportation. With me is our vice president. And I am also president of the National Association of State Aviation Officials. With me is Joseph Mason, our executive vice president.

Our association supports the administration's proposed funding for the Airport Improvement Program and Facilities and Equipment Program. We believe anything less would result in serious delays in the progress of the programs as outlined in the proposed administration's budget.

We believe, though, that with the fiscal constraint we think it is a good best effort. According to the new national plan of integrated airport systems to be published in September, the average annual development is in the neighborhood of \$2.1 billion over the next 5 years. The Federal share, allowing for matching funds by State and airport sponsors, would come to approximately \$1.7 billion a year.

The proposed funding of \$987 million for fiscal year 1985, knowing that it is probably the best we can expect, is, we need to point out, short of the entire real needs. While accepting the national plan of integrated airport systems as the only impartial national inventory of airport need available, we believe a more accurate assessment of actual airport needs requires a mandate to the FAA to incorporate up to date state airport system plans in the national plan.

Our statement also addresses the need for prioritizing the spending on airports. FAA now has a priority system that applies only to the discretionary money and in many cases does not recognize State and local priorities and is not necessarily universally applied throughout the regions and the districts.

We recommend that a system be established, with the concurrence of Congress, that governs the distribution of all Federal funding for airports, both entitlements and discretionary. It should be universally applied, and both airport sponsors and contributing governmental agencies should be parties to it.

Our third recommendation is that spending for airports should be programmed. Because Federal dollars provide seed or baseline funding, they have become the cogwheel funds that make everything else go. However, except for primary airport apportionments, the list of any item in the national plan does not in any way commit the Federal Government to provide funds or even to indicate which funds might become available.

Such programming would be simplified with multiyear appropriations to match authorizations. However, even on a yearly basis Federal funds could be more efficiently used if there were some reasonable expecta-

tions by airport sponsors as to when each of the projects would be undertaken.

It would also immensely help dovetailing many state efforts in funding of airports throughout the country. We believe that it would also help the Congress in that it would have the big picture on the long-range program, even as you made your year-to-year decisions.

In line with program funding, we point out that a problem arises when funding authorizations are not allowed to carry over to match the airport's right to carry over entitlements. With this restriction imposed on the year's appropriation, the only source that FAA has for carryover funding is the discretionary funds.

Because many airports choose not to apply for funds until they can accumulate enough entitlement money for a major project, the net effect is little, if any, discretionary money is left for the rest of the airports in the third year.

Section 506(e)(6) of Public Law 97-248 was written to allow for the entitlement carryover concept to be followed. We recommend that this concept be allowed to apply by not prohibiting it in the appropriations process.

We would also like to address two aspects of the proposed facilities and equipment program. FAA's plan for implementing the microwave landing system and the programming of the automated weather system are the ones I would like to refer to.

Both are of particular interest to the States, because many States will be also committing funds to supplement Federal installations of both types of equipment. On the MLS installation program, we point out that we currently face a situation where the FAA has terminated the standard ILS program.

When no ILS is being installed, the implementation timetable of only 172 MLS's over 5 years, beginning in 1985, creates an unacceptable void in satisfying the need for precision landing systems. The net effect is at approximately 11,000 airports there will be no new precision approach systems installed for the next 10 to 12 years. This presents a critical safety threat which we feel should not be ignored.

We have, therefore, joined with other organizations representing system users in recommending to FAA that a site specific list of airports for MLS installations be implemented. We recommend Congress to direct FAA to pay due regard to their users' recommendations on the MLS program and that they be directed to implement this program.

We also would like to recommend acceleration of the aviation weather system plan and deployment of numerous installations that we feel that the timetable is rather slow.

In summary, Mr. Chairman, the States support the basic funding levels requested by the administration for FAA programs. For airports, funding would have to be increased 40 percent over authorizations to break even on an annual basis.

Our proposals to you are based on attempting to make sure that the dollars available are spent more efficiently and that they dovetail with

State and local efforts. We therefore ask this committee to support full appropriations to meet the administration's request.

I would be glad to answer any questions if you have any, sir.

Senator ANDREWS. I am sorry, we do not have any time for questions left. You have exceeded your time. I apologize for that, because it makes a much better record when we can develop questions.

Mr. NAJERA. Thank you.

[The statement of Mr. Najera follows:]

STATEMENT OF SONNY NAJERA

I am Sonny Najera, Director of the Division of Aeronautics, Arizona Department of Transportation, and President of the National Association of State Aviation Officials. With me is Joseph G. Mason, Executive Vice President of NASAO.

We appreciate this opportunity to testify on appropriations for the Airport and Airways programs for FY 1985. The statement we have submitted has been reviewed by the Chairmen of our NASAO Policy Committees responsible for the areas covered, as well as by all members of our Board of Directors.

We, as an association, believe the funding level proposed by the Administration for the Airport Improvement Program (AIP) in FY 1985 is fair and equitable given these times of fiscal constraint.

We also agree that the proposed compensatory increase in the F&E program over FY 1985 authorizations is evidence that the Administration is sincere in attempting to live up to the commitments made to the Congress and aviation users at the time they requested the higher tax levels.

With one caveat, we support the FAA proposals for consolidating facilities wherever possible. Our single reservation is that this should not be done until equal or better services can be supplied to system users through other means. For Flight Service Stations this would mean equal (or, hopefully, better) access to weather information and flight plan filing. But a major premise for the cost containment from modernizing the air traffic control system is predicated on consolidating facilities, and we support the concept.

Our testimony, therefore, is based on our analysis of the implications of the funding levels. We will also present proposals to revise some funding distribution policies and processes in order to improve the uses of the funds that are available.

Airport Funding

Three years ago, when the reauthorization of the Airport and Airways legislation was being discussed, we pointed out that with three funding levels for airports in bills under consideration, none met even half the annual needs as inventoried in the then National Airport System Plan.

As you know, Public Law 97-248 supplants the former NASP with the new NPIAS -- National Plan of Integrated Airport Systems. This is scheduled for publication by September 3, 1984, and will, by law, identify for the Congress and the public the composition of a national system of airports together with the development necessary to anticipate and meet present and future needs of civil aeronautics, the national defense, and the special needs of the Postal Service.

The study for this Plan has progressed to the point that the Federal Aviation Administration now has categorized totals of funding needs for the first ten years, with a sub-estimate for the first five years. The five-year needs are listed by classes of airports and major categories of development in Table 1 on the following page. As you will see...

1. The average annual development need for each of the first five years is \$2.1 billion a year. (N.B. This is higher than needs in the second five-year period or the overall ten-year average because of immediate, "up-front" development needs.)
2. The federal share to meet the first five-year annual needs, allowing for matching funds by States and individual airport sponsors, would come to approximately \$1.76 billion a year.
3. The proposed funding of \$987 million for FY 1985 is only 56% of the year's need for Federal funds.

Once again, we are in the position of accepting a level of funding because it is probably the best we can expect in view of the overall federal fiscal situation, but that we again know is short of the real needs. We do note the improvement, however: from less than half the needs to a little more than half the needs.

Table 2 shows the needs by categories of development, as defined by the FAA, together with the probable percentage distributions of FY'85 funding (at \$987 million). Note that if each category of need in the order listed were to be fully funded, only the first five -- safety and security, reconstruction of existing airports, bringing existing airports up to standard for traffic they already handle, satisfying environmental requirements, including noise compatibility, and upgrading some airports -- can be fully covered. If any of the remaining needs, including any system capacity increases, are added, then none of the eight categories can be fully satisfied.

Table 3, page five, analyzes proposed FY'85 airport funding distributed by classes of airports. Distribution is based on the percentages of total funding specified in PL 97-248 for FY'85. Of the four classes of airports receiving funds, only Relievers will have sufficient funding to meet their needs -- though this could be problematical when the various categories of development are factored into the total dollars to be made available.

Incorporate State Plans in NPIAS

The foregoing analysis is, of course, based on accepting the NPIAS as the definitive inventory of airport development needs. Because it is the only impartial national inventory available, we must accept it. However, we do raise and endorse the cautions expressed by the Office of Technology Assessment in a draft report on airport capacity:

"The lack of congruence between State and Federal plans is most disturbing since nearly all state plans have been prepared with Federal funding. Over 10 years ago, FAA recognized the need to strengthen State system planning, and provided funds for this purpose under ADAP. However, FAA has failed to make use of the products of these planning efforts in the development of the national plan. The State plans, taken together, cover many more airports than does the NASP (N.B., now NPIAS), and the priorities assigned to airport projects by States are not fully reflected in the national plan. While it is probably not desirable, or even possible, for the national plan to incorporate all elements of the State plans, greater congruence between these two levels of planning might lead to more orderly development of the national airport system plan."

We would hope the FAA could be encouraged to remedy the lack of congruence cited above, and thus begin to conform to the provisions of the Airport & Airways Act of 1982 that they "consult to the extent feasible with other Federal and public agencies and with the aviation community..."

The OTA report also discusses "the lack of integration of airport planning with that for other modes of transportation," and points out that the burdens placed by the airport on the surrounding surface transportation systems are significant factors in the true costs of operating the airport. "Yet," the report says, "most local airport sponsors have little authority or influence over transportation decisions beyond the airport's borders."

This is relevant in view of the prior OTA observation that State plans are not considered to a significant extent in developing the national plan. An interim report by an OTA consultant charged with analyzing State airport system plans pointed out:

"Most states have created regional development commissions responsible for areawide economic and transportation planning. Efforts of the regional commissioners are coordinated by the State transportation agency. Committees are normally established at the state level to coordinate interagency planning and development."

"Most (State) plans reviewed indicate that there is a general state planning process that provides a framework to relate airport system planning to other modes of transportation and to the economic development and planning goals of the state."

This brings us to our first specific recommendation:

Prioritizing Airport Expenditures

We believe a more accurate assessment of national airport needs would follow a mandate to the FAA to incorporate up-to-date State Airport System Plans in compiling and updating the National Plan of Integrated Airport Systems. We believe the more comprehensive inventory of needs is a base-line step that must be taken in order to make possible the implementation of our next two recommendations: proposals to insure maximum effectiveness in expending the Federal airport development funds that are available.

The first of these recommendations is that a basic priority system should be established to govern the distribution of all federal funding for airports -- both entitlements and discretionary. It should be universally applied through all FAA Regions and Districts, and both airport sponsors and contributing governmental agencies should be privy to the information on which prioritized funding decisions are made.

Referring to Table 2, the benefits become apparent: For FY 1985, the FAA will have a choice of making token -- about 60 percent or less -- efforts against eight different categories of airport development projects, or of fully funding only the first five. (Note that the heading, "Priority," in the second column of Table 2 was our contribution in order to make this clear. It is not the FAA's relative ranking.)

Public Law 97-248 establishes the congressionally intended

objectives for the AIP. It does not, however, give any suggestions of priorities for meeting those objectives.

We believe, therefore, that a priority system should be established with the concurrence of Congress which will rank types of projects to be fully funded from each year's available funds.

Congress may also wish to specify a consultative process in arriving at various priorities. This is common in developing State priorities: Developing the priorities used by the Texas Aeronautics Commission, for example, involved 55 public meetings statewide, with more than 2,000 public officials, airport managers, and interested members of the aviation community participating. Other states having public-input provisions on airport funding programs include North Carolina, Virginia, Arizona, and California. (The FAA's current "prioritizing" plan, which covers only discretionary funds, was developed without any constituent consultation at all.)

We have, in our files, copies of prioritizing systems currently in use by nine states in their allocations of public monies to their own airport development programs: Arizona, Florida, Louisiana, Massachusetts, Missouri, New York, North Carolina, Virginia, Washington, and Wisconsin. We will be happy to make these available to Committee Staff at any time. We believe the experience embodied in these planning systems can lead to development of a more responsive national airport development prioritizing program.

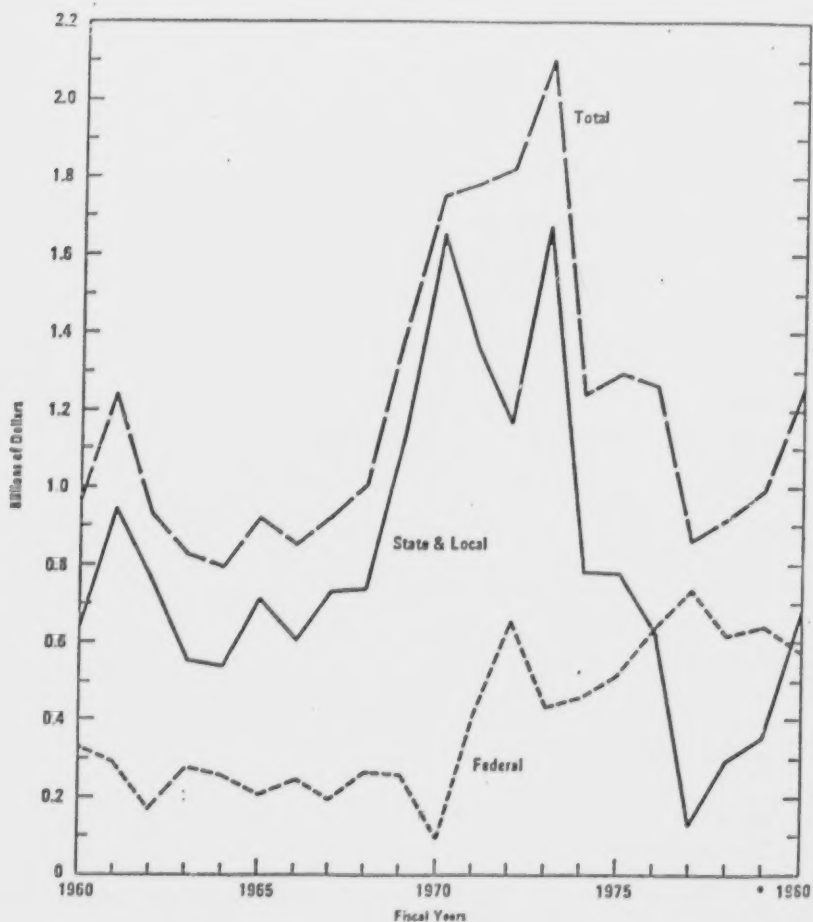
Needed: System Development Programming

This brings us to our third recommendation:

We recommend that, as an addition to the NPIAS, there be a National Airport System Development Program.

Figure 1, next page, shows one reason for this: Looking at the total aggregate of airport development funds from all sources -- Federal, State, and Local -- it is clear that the Federal share has

FIGURE 1 - FEDERAL, STATE, AND LOCAL SHARES OF PUBLIC SPENDING ON AIRPORTS
1960 - 1980



SOURCE: Congressional Budget Office based on data provided by Federal Aviation Administration, and U.S. Department of Commerce, Bureau of the Census.

historically been the smallest. Yet, because the Federal dollars provide "seed" or "baseline" funding for airport projects, they have become the cogwheel funds that make everything else "go."

However, in the National Plan, except for primary airport apportionment funding, the listing of any location, airport, or item of development in the plan does not in any way obligate or commit the Federal Government to provide funds for construction or planning -- or to even indicate when such funds might become available.

Under this system, the uncertainties of federal funding make it impossible to program the State and Local funds with any degree of certainty that the matching federal shares will be available. Further, there is no control over airport funding distribution to assure airport sponsors identified in the National Plan that they will ever receive the money designated as needed. This causes airport management to be hesitant in committing up-front money for consultants and other planning process expenses. It also makes it difficult to get the advance planning for system integration when no one knows when, or if, their plans will ever see reality.

This, of course, is the basic distinction between a "plan" and a "program":

- The Plan tells you what needs doing;
- The Program tells you when to expect it to be done.

Such programming would, of course, be simplified with multi-year appropriations to match authorizations. However, even on a yearly basis, the Federal funds would be more efficiently used if they were programmed in some reasonable expectation of when each of the development projects in the Plan would be undertaken.

We believe this would also be a major help to you, in the Congress, in that you would have the "big picture" of the long-range even as you made the year-to-year decisions.

Several states use programming processes in the allocations of State airport development funds. We have copies of those used by Arizona, California, Idaho, Illinois, Iowa, Maryland, Minnesota, Missouri, New Mexico, Texas, Virginia, and Wisconsin, and would be glad to share these with you.

Entitlement Carryovers

In line with treating airport funding on a programmatic basis, we believe Congress should be especially aware of implications in the

present situation re carryover of enplanement funds:

Airports enplaning 0.01% or more of the total enplanements nationally are entitled to enplanement funds according to a set formula each fiscal year. The airport may "build up" three years of enplanement funds without losing them. (In the fourth year, they would lose entitlement to the first year's funds.)

A problem arises if funding authorizations are not allowed to carry over to match the airports' right to carry over entitlements. If, for example, a typical large hub airport decided to save up its entitlements for three years, the FAA could be looking at an obligation of over \$12 million to that one airport in the third year. For that year, however, FAA's budget is based on approximately \$4 million in enplanement funds for that airport. The other \$8 million from previous years may not be available to the FAA because of appropriations limitations.

Typically, this has not happened at many large hubs because their needs are constant and large enough to require the entitlement funds as earned. But it does happen with regularity at smaller airports--medium, small, and non hubs -- where annual entitlements are in the range of \$0.5 million annually. The problem is significant in that there are many more airports (520 in FY 1983) receiving these small entitlements than airports receiving large entitlements (e.g., \$1.5 million or more)(23 in FY 1983).

Because FAA converts the carry-over entitlements to discretionary money and spends it on current needs, in the second or third year, when the whole claim is made by a deferring airport, by law, the FAA ~~must~~ still make good on it, and the only source is the discretionary fund. Because many airports choose not to apply for their funds until they can accumulate enough for a major project, there is little, if any, discretionary money left for all airports in the third year.

(We do not object to the entitlement carry over concept. It is much better to allow an airport to accumulate entitlements than to encourage frivolous projects by insisting that they "spend it or lose it" on an annual basis. However, discretionary funds for the entire airport system should not be committed to the plans of a relatively few airports with major projects.)

Section 506(e)(4) of Public Law 97-248 was intentionally written to allow the carry over budgeting concept to be followed. We recommend that this concept be allowed to apply by not prohibiting it in the Appropriating process.

FACILITIES & EQUIPMENT

We would also like to address two aspects of the proposed Facilities and Equipment program: the plans for implementing the Micro-Wave Landing System (MLS), and the programming of the Automated Weather Observation Systems (AWOS). Both of these are of particular interest to the states because many states will also commit their funds to supplement federal installations of both types of equipment.

Microwave Landing System Implementation Program

At present, FAA's program for installing precision instrument approaches is failing to meet aviation's needs. Although airports are being upgraded to handle more sophisticated aircraft used by both airlines and business aviation, the FAA is not providing the instrumentation in concert with the airport improvements. Under adverse weather conditions, airlines are being forced to overfly locations without precision approaches. This makes the service less reliable; it causes passengers to lose confidence in scheduled air service.

A business aircraft which cannot reach a destination may as well not exist. The purpose of business aircraft is to expedite business -- not cause hardship and delay for the user.

Present FAA policies can, in short, prohibit any airport from reaching the full potential envisioned by the investments being made on the ground to improve it.

We are currently faced with a situation where the FAA has terminated the standard ILS program. Further, they will no longer agree to take over maintenance of any non-federally acquired ILSs if these were not under contract prior to last December 31. They will not take over the maintenance of any ILSs purchased with AIP funding.

The reason given is the plan to implement the Micro-Wave Landing System as replacement for the ILS system. However, with no ILSs being installed, the implementation timetable of only 172 MLSs over five years beginning in 1985 creates an unacceptable hiatus in satisfying needs for precision landing systems. FAA's system-wide goal of 1,250 installations over 13 years is equally unacceptable.

Further, with only 172 installations programmed over the next five years, FAA's initial implementation plan was based on a "mini-hub" concept which would concentrate the systems in a few areas, while providing none in others.

The net is that, for a great many sections of the country -- literally 11,000+ airports -- there will be no new precision approach systems installed for at least 10 to 12 years. This presents a critical safety threat which cannot be ignored.

NASAO does not recommend abandonment of the MLS program. As a matter of record, the states have been the leaders in promoting this technology. All but one of the original installations of what came to be called the "Interim Standard Microwave Landing System" were made by States using State funds.

More recently, the first fully approved unrestricted public use MLS installation in the world was flight checked by the FAA on March 14th at Cadillac, Michigan, and dedicated April 19th. Michigan has

three more MLSs in the final stages of installation being readied for flight checks.

All four of these systems were paid for 100% from state and local funds -- no federal funds are involved.

The States believe in the MLS as the precision landing system of the future -- possibly more than the FAA does.

We have, therefore, joined with eight other groups representing system users in recommending to the FAA a reconsideration of their MLS implementation program. This recommendation went to the FAA by letter of April 2, 1984, and included a site-specific list of airports where MLS installations should be made for an immediate safety benefit to the national aviation system as a whole.

We request, therefore, that the Congress direct FAA to pay due regard to the aviation system user group recommendations for implementing the MLS program -- and that they be directed to implement this program as expeditiously as possible.

Automated Weather Observation Systems

The FAA has now published an "Aviation Weather System Plan" which calls for the eventual deployment of approximately 1,700 installations of equipment for automated weather observations. We strongly endorse the concepts of this program, but disagree with the timetable. We believe "AWOS" is technically feasible now -- in fact, as the FAA's Plan acknowledges, several states are well along with their own planning and already have some AWOS equipment in use.

Weather information is a vital need for safety in aviation. The automated observation program represents a realistic, cost-effective system for improving the acquisition and dissemination of weather information. We urge you to call upon the FAA to accelerate their work in this area with the goal of maximizing installations within the next 18 months.

We also request that FAA be directed to coordinate their planning of AWOS installations with the states. This is critical to State plans for installing additional stations with State funds. States should have the earliest possible information as to what the FAA is going to do, even if only in the form of a proposal which may not be finalized due to budgetary limitations. AWOS implementation should not be programmed "in the dark" by F&E. If the maximum safety of this technology is to be obtained from the investment of federal funds, the states must be full partners in the decision process.

A similar requirement for state coordination should be made in the case of AWOS equipment to be purchased with AIP funds. FAA Airport District Offices should be directed to work closely with each individual state in developing programs of locations where AIP funds will be used for the installation of AWOS (primarily at general aviation airports).

To supplement this statement, we attach, as an Appendix, an internal staff memo prepared by the State of Alaska which covers in detail the concerns that we, the states, have with the technical aspects of AWOS.

Finally, and recognizing that it is not within the jurisdiction of this committee, we would hope that future authorization bills would give due consideration to LORAN C as a cost-effective supplement to the national air navigation system.

Summary

In summary, Mr. Chairman, we, as representatives of the states, do not quarrel with the basic funding levels requested by the Administration for the FAA programs. As responsible public officials ourselves, we recognize the fiscal constraints on government today. We live with them ourselves at the state level.

Therefore, we seek primarily to reinforce the case that the money is needed. For airports, the only national inventory of needs we have -- an inventory that is congressionally mandated and federally funded -- indicates that funding would have to be increased 40 percent over authorizations just to break even with needs on an annual basis. There are ways to make sure that the dollars available are spent more effectively. This embraces all of our proposals to you: a prioritizing system -- nationally applied and universally understood -- for airport development programs; multi-year programming of funds (which we consider just good management); redirection of the MLS program to overcome the safety hiatus created by FAA's present planning; and coordination of AWOS installations with State and Local sponsors to maximize the planning of supplemental installations with state tax dollars.

Finally, we do support, and ask this committee to support, full appropriations to meet the Administration's requests.

Thank you.

TABLE 1
W.P.I.A.'S FIVE-YEAR AND ANNUAL NEEDS -- WITH PROPOSED FY 1985 FUNDING PROGRAM
(\$ = Millions)
(Source: FAA, 1/10/84)

Class Airport > Development Category V	Commercial Service-- Primary	Others	Total Needs - 5 Years	Federal Share 792	Relievers Aviation	Totals, GA & Relievers	Federal Share 902	Total, Fed. Share All	Annual Need - Fed. \$588	Percent all needs	2 Distrib. FY'85	Shortfall
Safety/Security	212	82	294	232	36	243	279	251	483	97	0.05	54
Reconstruction	581	92	673	532	79	255	334	301	832	166	0.09	93
Bring up to Standards	1089	384	1473	1164	400	1177	1577	1419	2583	517	0.29	289
Environment	68	0	68	54	1	0	1	1	55	11	0.01	6
Upgrade	571	130	701	554	135	361	486	446	1000	200	0.11	112
Add Capacity, existing	2852	112	2964	2342	182	213	395	356	2697	539	0.31	302
Replacement Airports	22	44	66	52	20	922	942	848	900	180	0.10	101
New Airports, capacity	22	0	22	17	257	11	268	241	259	52	0.03	29
Five-year Totals:	5417	844	6261	4946	1110	3182	4292	3863	8809	1762		987
(Percent)	0.51	0.08	0.59		0.11	0.30	0.41					
Average Annual Need:	1083	169	1252	989	222	636	858	773	1762			
Proposed FY'85 @ 5987:	507	79	586		104	298	401					
Shortfall, FY'85	-577	-90	-667	-989	-118	-339	-457					

TABLE 2
NEEDS/PRIORITIES vs. FY 1985 FUNDING
(\$ = Millions)

Development Category	Priority	Totals, all Airports	Average Annual Needs	Percent	Annual Commercial Service (Fed.Shr.)(Fed.Shr.)	Annual GA and Reliever (Fed.Shr.)	Total Fed.Share - Needed Annually	FY'85 \$ - % dist- ribution (\$987mil)	Funding vs. Annual Needs
Safety/Security	1	573	114.6	0.05	53	42	96	54	-42
Reconstruction	2	1007	201.4	0.10	94	74	168	94	-74
Bring to Standards	3	3050	610	0.29	284	225	509	285	-224
Environment	4	69	13.8	0.01	6	5	12	6	-5
Upgrade	5	1197	239.4	0.11	112	88	200	112	-88
Add Capacity, Existing System	6	3359	671.8	0.32	313	248	561	314	-247
					94	74	168	94	-74
					27	21	48	27	-21
					984	779	1763	987	-776

TABLE 3
FIVE-YEAR NEEDS BY AIRPORT CLASS
vs. FY 1985 FUNDING PROPOSED
(\$ = Millions)

Class Airport >	COMMERCIAL SERVICE Primary Others	RELIEVERS	GEN'L AVN.	TOTALS, ALL CLASSES
All Five-year Needs	5417 844	1110	3182	10553
Average ANNUAL Needs	1083 169	222	636	2111
Percent Fed'l Share, per P.L.97-248	.5 .055	.315	.12	
Percent Distribution, FY '85 \$987 million	494 54	311	118	977
FY '85 Fed'l Shortfall	-590 -115	89	-518	-1133

(Totals do not add due to rounding)

APPENDIX

MEMORANDUM FROM JIM MOODY, TRANSPORTATION PLANNER, STANDARDS
AND STATEWIDE PROGRAMS

I have reviewed the NASAO "Action Call" of October 21 in light of our experience with AWOS (Automated Weather Observation Station) systems, and confirmed what Wisconsin Aeronautics desires through a phone call through Jim Ash of that office. He indicated that general information along the lines of the following would be useful in their early November meeting. The comments are grouped under numbered headings for easy reference in future communications.

1. Terminology: Automated weather reporting is so new that either no separate lexicon has been devised, or at least there is no general understanding of what particular terms and phrases mean. For example, apparently the only difference between "AWOS" and "AMOS" (Automated Meteorological Observation Station) systems is that the former is the FAA terminology, and the latter is the Weather Service terminology for the same type of installation. Therefore, in the event that the FAA has a precise definition and understanding of what constitutes an AWOS system, it should be noted that all of the comments in this memo pertain merely to automated weather data collection and its transmission or conversion for practical use by pilots, weather observers, and other interested parties -- all in contrast with weather data which is collected, observed, and/or recorded manually.

2. Ownership/Operation: It should be recognized that AWOS systems will not all be exclusively FAA facilities. As in the case of non-directional beacons and air-to-ground radio communications, the systems may be owned and/or operated by other agencies of the federal government (including military), local government, private enterprise (including air carriers, fixed base operators, and industrial concerns such as off-shore drilling platforms), and others.

3. Specifications or Tolerances: It should be understood that equipment of varying accuracy may be manufactured, and operational conditions may vary considerably. It is therefore assumed that the particular user would establish minimum specifications and operating standards to satisfy his own needs. In the case of weather data provided to the public for aviation purposes, it is assumed that the FAA would establish equipment specifications and mandate operational minima, all within certain tolerances needed to ensure accuracy and reliability for the safety of the traveling public. (In other cases, it is conceivable that the National Weather Service might establish different tolerances for stations providing data for general weather forecasting, marine weather, or other needs.) Basically, I think the Radio Technical Commission for Aeronautics has established good specifications in its Document No. RTCA/DO-175, "Minimum Operational Performance Standards for Ground Based Automated Weather Observation Equipment". See also FAA Advisory Circular 91-54.

4. Needs for (Automated) Weather Services: Among the types of weather reporting needed for aviation purposes are (a) individual airport conditions, needed primarily for pilots operating to or from those specific facilities; (b) airport terminal area weather used in conjunction with FAA criteria relating to instrument or non-instrument operations; (c) geographic spot reporting, used either

in conjunction with weather forecasting or enroute weather; (d) localized or other special reporting, such as in connection with flights in mountain passes or places like Valdez Narrows. Perhaps the only distinction between (c) and (d) would be whether or not the data is used for broad purposes, or merely restricted to the limited reporting of very localized conditions. Further discussion of each of these follows.

4.(a) Basic Airport Weather: Individual airport weather would probably be disseminated much in the fashion of the ATIS (Automated Terminal Information Service) is today. Thus, the location of the instrumentation, degree of accuracy, and operational conditions would logically match those presently used for the ATIS. The difference would be that instead of manned observations being recorded on a tape hourly, current weather data would be broadcast immediately. Because of the nature of the equipment used, specialized airport information such as NOTAMS can be programmed into the broadcasts. It would also be possible, through the use of computers with particular software, to program the broadcasts to indicate preferential runways, and so on, automatically. Use of automated systems in this instance would reduce the amount of manpower needed by air traffic controllers or flight service station attendants, freeing them for other duties. There would probably not be a need for any type of printout, but phone access would be needed. Also, where there is an operating control tower or a flight service station serving the airport, there would probably be a need for a digital readout for the controllers or briefers. FAA might want to enter the data periodically in its "Service A" circuit.

4.(b) Airport Terminal Weather: While this the data might be broadcast as an ATIS, perhaps its most important uses would be by pilots making instrument approaches and by air traffic controllers. Its accuracy should probably be more critical than the accuracy needed for (a). Further, there may be a need for equipment redundancy to ensure safe aircraft operating conditions. An accurate altimeter or barometric pressure reading is essential. (As incidental options, it would be convenient to have it accessible by phone -- for pilot self-briefing, and FAA's use in adding the data to the "Service A" circuit.)

4. (c) Spot Reporting: Possibly there may be a need for stations in relatively remote geographic areas where there are no communities or other inhabited locations capable of providing typical area-wide weather reporting. Examples might be portions of the Alaska Peninsula or Aleutian Islands, or portions of the vast Alaskan (and Canadian) Arctic Plain. Such a station might be needed to fill in a "gap" in other weather reporting, for pilots to use enroute between other points, or possibly for upgrading weather forecasting. In such an instance it might not be necessary to obtain all of the elements of a normal (airport) weather report. The data would be conveyed by radio to either the aircraft or a ground receiving station.

4.(d) Special Reporting: This type of reporting would probably not be used at all for forecasting, but would merely be used to report actual conditions existing in some limited geographical area, such as a mountain pass or Valdez Narrows. As in (c) it is possible that only some elements of the standard aviation weather report would be needed. Probably visibility, ceiling, and wind would be the most

important. As in (c), dissemination would be via radio. (Another special need is for wind data and/or ceiling/visibility data for use in airport planning or design work, or in determining the need for landing aids and practical instrument minimums. In these cases, a printout capability is needed.)

5. Dissemination: This merely summarizes some of the methods of dissemination mentioned above. In many cases the weather data would be broadcast over a VOR station, NDB, or some separate SFO (single frequency outlet). The airport ATIS frequency, if available, would be another logical outlet. In most cases it would be desirable to be able to obtain the information via telephone, also. When needed in an air traffic control tower, flight service station, and aircraft operations office (air carrier, flight school, FBO, etc), a digital readout would be useful. I am not sure as to whether or not a separate printout, independent of that available via the "Service A" circuit, is needed.

6. Conclusions: Although not mention previously the reason for perfecting and installing automated weather reporting systems is to increase the number of reporting points, providing more frequent data than is or will be practical using manned stations -- while maintaining comparable levels of accuracy. Some attempt should be made to ensure that such data collection and dissemination is acceptable internationally, such as with Canada (in particular) and ICAO (International Civil Aeronautics Organization). We know that in Alaska we have a need for basic weather reporting from many communities which lack any type of certified observers now. In many instances, particularly with the decommissioning of relatively inactive flight service stations (such as at Summit and Fort Yukon) and the conversion of other FSS's (such as Iliamna and Talkeetna) to part-time facilities, it will be essential to replace the previously manned observations with accurate automated observations. Most of the time the basic aviation weather (ceiling or cloud height and conditions, visibility, temperature, dew point, wind direction and velocity, and barometric pressure) will be needed, with slightly varying requirements for accuracy and redundancy. In nearly all cases some means of disseminating the data by radio will be needed, and accessibility by phone will also be important. In certain instances it will be highly desirable to plug in special data, such as recorded NOTAM messages. The RTCA document mentioned at the end of item 3 above was prepared by a special committee with international representation. I highly recommend it as a basic reference.

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

NEWS RELEASE

September 29, 1983

Juneau -- The Department of Transportation and Public Facilities has placed a modernistic, computerized weather-reporting facility at Galena airport for an experimental operation that could enhance flying safety through minute-by-minute weather updates for pilots, Commissioner Dan Casey said today.

Casey said the experiment is a joint undertaking with the FAA, which placed a similar installation at Valdez airport using a different make of equipment for a comparison of results.

The two installations will be maintained on a test basis for approximately one year. The Galena test operation was funded by a state legislative appropriation. The Federal Aviation Administration (FAA), which is operating both of the weather units, is funding the Valdez equipment and installed the Galena equipment through a reimbursable services agreement with the State. Pilots are encouraged to monitor the automated weather reports and compare them with other information available to them.

The Galena equipment is manufactured by WeatherMeasure and the manufacturer for that at Valdez is Artals. For added comparative purposes, the synthesized voice reports will be in a woman's vocal tones from Galena and a man's tones from Valdez.

The automated stations use various sensors to measure the different weather conditions. The information is then processed and coupled to various communications links. Elements measured include wind velocity, in knots, and direction. Gusts are also measured and reported. Temperature is compiled in degrees Fahrenheit, as is the dew point; the barometric pressure is measured in inches of mercury; and the equipment reports whether or not there is precipitation. Visibility can be measured up to five miles, and the cloud height can be measured up to 5000 feet. The cloud conditions are reported as clear, scattered, broken, or overcast. A computer processor with software is incorporated in the equipment to average the various readings and update the synthesized voice announcement every minute.

In addition to the voice output, the Galena data is transmitted to FAA pilot briefers by a digital display in the local flight service station. During the test period this will allow for direct comparisons of the automated reports to the official manned observations.

For now the information is available by phone, 656-1654 is the number for Galena, and 835-2947 is the number for Valdez. By late October the information additionally will be broadcast by radio.

Official weather reports are provided by manned stations, either by phone or radio, but usually that information is only updated hourly. If the automated stations prove satisfactory, it may be possible to greatly expand the weather reporting system in Alaska. One advantage will be the availability of 24-hour continual reporting at stations which are presently only manned during certain hours of the day.

Nationwide, about a dozen more stations are planned for similar experimental operations.

AIR TRANSPORT ASSOCIATION OF AMERICA

STATEMENT OF J. ROGER FLEMING, VICE PRESIDENT FOR OPERATIONS ACCOMPANIED BY JAMES T. MURPHY, VICE PRESIDENT FOR AIRPORTS AND MATERIALS

Senator ANDREWS. Our next witness is Roger Fleming of the Air Transport Association. Let me assure you, Mr. Fleming, that your statement is printed and will appear in full in the record. And of course, obviously if we have time to get questions it makes a much better presentation from the standpoint of the people you represent.

Mr. FLEMING. Thank you, Mr. Chairman. We are mindful of your advice.

I am accompanied this morning by Mr. James T. Murphy, ATA's vice president for Airports and Materials.

Before providing comments on the budget proposal, we would like to address a matter of urgent concern to ATA member airlines, the current and future status of the air traffic control system.

Over the past 3 years, administration officials have repeatedly stressed their commitment to remove as soon as possible those artificial operational constraints in the air traffic control system which were necessitated by the PATCO strike. Regrettably, as the third anniversary of the strike approaches, the capacity of the ATC system remains inadequate to meet the transportation needs of the public.

Regulatory constraints continue to be imposed, and there is disturbing evidence that they will remain indefinitely unless prompt corrective action is taken. One area in need of immediate attention is that of controller work force levels. FAA staffing plans indicate a continuing controller work force deficiency in both quantitative and qualitative terms.

The available controller work force today is roughly 1,000 below the currently approved level of 14,305 controllers and is projected to remain undermanned for the foreseeable future. Moreover, within that already short work force total, the number of qualified radar and nonradar controllers is some 2,000 below goals established by the FAA itself many months ago.

This deficiency might ultimately be overcome, of course, with a sufficient number of new controllers coming through the training pipeline. However, the recovery program will be extended longer than anyone anticipated even if no other forces intervene to compound the problem.

Unfortunately, such other forces appear to be at work. They include: First, the possible loss of critically needed personnel through retirements; second, a higher than expected washout rate at the FAA academy and during facility on the job training; and third, the inherent inflexibility resulting from FAA's current structured staffing concept.

Mr. Chairman, we have expressed our concerns that FAA controller staffing plans appear to be inadequate to meet the transportation needs of the public. We urge this committee to request that FAA under its new leadership take the following actions:

First, take the necessary steps to retain prospective retirees and current annuitants who are active controllers;

Second, increase the trainee schedule and hiring rates to the levels that can realistically achieve full controller staffing;

Third, revise the current structured staffing ratios;

And fourth, reexamine the adequacy of its controller work force target level.

Turning now to FAA's budget request, we support it and urge its approval. The fiscal year 1985 funds are needed to assure safe and efficient airport and airway systems.

With respect to the facilities and equipment request, we note that since enactment of the Airport and Airway Improvement Act of 1982, the total facilities and equipment appropriation has fallen nearly \$500 million short of the cumulative authorization. As a result, a number of safety and capacity enhancing projects which are part of the modernization plan have been deferred. A similar fate has met other needed system improvements which, while outside of the modernization plan, have been previously approved by Congress.

With respect to the 1985 proposal, \$1.657 billion for facilities and equipment will permit FAA to remain on schedule with a production contract for the critical replacement of air traffic control en route computers and with other important modernization projects. However, if there is any slippage in the 1985 acquisitions process, the applicable facilities and equipment funds should be used in connection with the program.

In conclusion, Mr. Chairman, action is necessary to ensure that capacity of the air traffic control system is adequate to meet the transportation needs of the public. To that end, FAA controller work force target levels must be closely reexamined and adjusted as necessary

and every effort must be made to secure the most effective degree of controller productivity.

At the same time, it is essential to move forward promptly with the implementation of the national air space system plan and to make other needed safety and capacity-related improvements. To accomplish these objectives, we respectfully urge this subcommittee to approve fiscal year 1985 appropriations for FAA program expenditures at levels consistent with previously approved congressional authorizations and no less than the fiscal year 1985 budget request, and to continue its careful oversight of the efforts to rebuild and modernize the air traffic control system.

Thank you, Mr. Chairman.

[The statement of Mr. Fleming follows:]

STATEMENT OF J. ROGER FLEMING

Mr. Chairman, and members of the Subcommittee, my name is J. Roger Fleming. I am Vice President, Operations, of the Air Transport Association of America whose member airlines constitute the major segment of the nation's airline industry. I am accompanied by James T. Murphy, the Association's Vice President, Airports and Materials. We are pleased to offer our views on the FAA FY-1985 budget proposal and related issues involving the current and future status of the air traffic control system.

At the beginning of this testimony, we wish to say that we look forward to working with Administrator Engen, who has a distinguished record of public service. The new FAA Administrator faces many difficult challenges -- from rebuilding and modernizing the air traffic control system to improving our nation's airport system. We intend to help him in every way we can. The airlines share with FAA a mutual commitment to safety as a matter of the highest priority in air transportation.

With respect to FAA's budget request, in general we support it, and urge its approval. The FY-1985 funds are needed to assure a safe and efficient airport and airway system. Not only are the funds needed, but they are also available. FAA currently estimates that more than \$14 billion will be generated by aviation user taxes over the 1983 - 87 period. Those revenues, coupled with a current unobligated surplus of approximately \$3 billion in the Aviation Trust Fund, are more than sufficient to meet the program authorization levels Congress established in the Airport and Airway Improvement Act of 1982. Full funding is imperative for keeping the National Airspace System Plan (NAS) on schedule and for making essential improvements in the airport and airway system.

RESTORATION OF THE AIR TRAFFIC CONTROL SYSTEM
AND REMOVAL OF CAPACITY CONSTRAINTS

Before providing more detailed comments on the budget proposal, we must address a matter of urgent concern: the current and future status of the air traffic control system. Progress has been made in rebuilding the

system and some additional capacity will be available this summer. But much more must be done to assure that aviation demands and public requirements are met.

Over the past three years, Administration officials have repeatedly stressed their commitment to remove as soon as possible those artificial operational constraints in the air traffic control system which were necessitated by the PATCO strike. Secretary Dole in recent testimony before this Subcommittee reaffirmed that position, and Administrator Engen in his confirmation hearing made clear that, consistent with safety requirements, he was "dedicated to the free flow of air commerce".

These statements reflect a widespread understanding that the goal of a competitive airline industry established by Congress in the Airline Deregulation Act cannot be met unless the air traffic control system can accommodate the transportation needs of the public. Regrettably, as the third anniversary of the PATCO strike approaches, the capacity of the air traffic control system remains inadequate to meet the transportation needs of the public. While we have nothing but praise and admiration for the dedicated efforts of FAA and its air traffic controller workforce in keeping the system functioning during the very difficult and trying stages of the recovery, regulatory constraints continue to be imposed, and there is disturbing evidence that they will remain indefinitely unless prompt corrective action is taken.

One area in need of immediate attention is that of controller workforce levels. FAA staffing plans indicate a continuing controller workforce deficiency in both quantitative and qualitative terms. This deficiency is best illustrated by comparing the FAA controller workforce and its component parts, both current and projected, with the FAA's established target level and its related staffing classification goals, as shown in the table below.

Staffing Projections*

Approved Level		14,305	
<u>Workforce</u>	<u>Goal</u>	<u>On Board</u> <u>1/31/84</u>	<u>Projected</u> <u>9/30/84</u>
Radar Controllers	6,444	5,281	6,164
Non-Radar Controllers	5,268	4,238	4,643
Air Traffic Assistants	1,746	1,212	1,362
Developmentals	847	2,483	1,325
TOTAL:	14,305	13,214	13,494

This table demonstrates that the available controller workforce today is roughly 1,000 below the currently approved level, and is projected to remain undermanned for the foreseeable future. Moreover, within that already short workforce total, the number of qualified radar and non-radar controllers is some 2,000 below goals established by the FAA itself many months ago. While this qualitative deficiency is currently scheduled to improve somewhat by the end of September, the disparity between the projected availability of qualified radar and non-radar controllers and previously established FAA goals will continue beyond September, as will the shortfall in the total controller workforce.

This deficiency might ultimately be overcome, of course, with a sufficient number of new controllers coming through the training pipeline. However, the recovery program will be extended longer than anyone anticipated, even if no other forces intervene to compound the problem. Unfortunately, such other forces appear to be at work. They include: first, the possible loss of critically needed personnel through retirements; second, a higher than expected "washout" rate at the FAA Academy and during facility on-the-job training; and third, the inherent inflexibility resulting from FAA's current structured staffing concept.

Up to 2,000 qualified air traffic control personnel are now eligible to retire. Additionally, another 234 retired annuitants now working in the system may not be eligible to continue work after December 31, 1984 with the expiration of section 2 of the air traffic controller pay legis-

*Source: FAA

lation of 1982. If a significant percentage of these highly qualified and experienced air traffic control personnel elect to exercise their retirement eligibility, or if conscientious efforts are not made, as appropriate, to encourage or stimulate their retention, the effects on the system and at key facilities will be overwhelming, particularly since current training and replacement plans apparently do not take this contingency into account.

As has been reported to this Subcommittee by FAA, the "washout" rate for controller trainees has been higher than planned or expected. It now averages 32 percent at the FAA Academy. After Academy training, another 10 to 15 percent, on average, fail to qualify during on-the-job (OJT) training at their assigned facilities, with the failure rate being even higher at certain key air traffic control centers. At the same time, FAA has reduced the number of trainees entering the training cycles to a level roughly one-third of that utilized in 1982. The number of trainees in and entering the training program appears almost completely unrelated to the known training failure experience, to the replacement demands of known retirements, or to the growth needs of the system.

Finally, FAA's currently applicable structured staffing concept is obstructing the solution to the immediate problem. Although structured staffing may have merit over the long term in a fully staffed and qualified air traffic control workforce, the current ratios (60 percent radar and 40 percent non-radar controllers) do not permit the flexibility required to achieve maximum utilization of available resources under today's conditions. Until the current shortage of qualified air traffic control personnel is overcome, every effort must be made over the short term to secure the most effective degree of controller productivity. To accomplish that objective, we believe that FAA should immediately revise its structured staffing concept to provide an increase in the number of radar controllers to achieve the flexibility and responsiveness required in operating the system.

We must wonder whether current deficiencies and management concepts are symptomatic of a deeper, more far-reaching issue raised by some air traffic control management personnel even before the PATCO strike and periodically since -- control of airline scheduling practices. There are those who apparently believe that the air traffic control system would be served more conveniently insofar as the federal government is concerned by shifting or reducing airline demand for ATC system services. Through a combination of workforce, procedural and regulatory constraints and initiatives designed to level airline activity throughout the day, of course, such greater government convenience could be accomplished notwithstanding public need.

As we noted earlier, such an approach would directly conflict with the repeated commitment of the Administration to remove artificial constraints -- a commitment upon which the airline industry has relied, while supporting the Administration during its rebuilding efforts. Moreover, any such effort would interfere with airline scheduling and marketing flexibility and would thwart the Airline Deregulation Act's public interest objective of placing "maximum reliance on competitive market forces and on actual and potential competition . . . to provide the needed air transportation system".*

Mr. Chairman, we have expressed our concerns that FAA controller staffing plans appear to be inadequate to meet the transportation needs of the public. The ATC workforce target of 14,305 controllers may or may not prove adequate once the qualitative deficiency of approximately 2,000 fully trained controllers is remedied. Whatever the necessary number may be, it is clear that action is required both to accelerate the ATC system recovery now and to insure that system capacity matches public demand for the long term. Thus, we urge this Committee to request that FAA, under its new leadership, take the following actions:

- take the necessary steps to retain prospective retirees and current annuitants who are active controllers;

* 49 U.S.C. § 1302(a)(4) (emphasis added).

- increase the trainee schedule and hiring rates to levels that can realistically achieve full controller staffing;
- revise the current structured staffing ratios; and,
- reexamine the adequacy of its controller workforce target levels.

NATIONAL AIRSPACE SYSTEM PLAN

The principles of the National Airspace System Plan have received Congressional endorsement and widespread public support. Implementation of the Plan is essential to provide the tools necessary for air traffic controllers to accommodate an ever-increasing demand for air traffic control services. DOT and FAA have placed a high priority on modernization and are to be commended for their commitment to this goal. FAA has demonstrated the ability to meet the schedule for commitment of funds and the award of contracts necessary to achieve modernization. Its most recent step is the award of the systems engineering and integration (SEI) contract to Martin Marietta to help FAA coordinate the work of all the contractors and to implement the modernization program. We support this effort and believe it will enable FAA to meet the schedules reflected in the NAS Plan.

Timely appropriation by Congress of the funds needed to carry out the planned airspace modernization is essential. From this point forward, appropriating less than the authorized amounts will cause serious delays in the program and increase the cost of modernization.

Moreover, it is most beneficial for FAA to have approval from Congress to provide for "full funding" of its facilities and equipment needs at the time of initial request. The full funding concept ensures that each appropriation for a given subsystem provides for completion of the total project, including production, installation, and commissioning. In this connection, the General Accounting Office in a report prepared at the request of this Subcommittee has emphasized that "full funding strengthens the Congressional decision-making process; increases the Congress' initial control and oversight over total spending and outlays; and improves many aspects of

management, including providing cost savings in conjunction with multiyear contracting". See GAO, Selected Budget Issues in the Federal Aviation Administration, March 15, 1979 (CED 79-61).

FACILITIES AND EQUIPMENT

It is important to note that since enactment of the Airport and Airway Improvement Act of 1982, the total Facilities and Equipment (F&E) appropriation has fallen nearly \$500 million short of the cumulative authorization. As a result, a number of safety and capacity enhancing projects which are a part of the modernization plan have been deferred. A similar fate has met other needed system improvements, which, while outside of the modernization plan, have been previously approved by Congress.

With respect to the FY-1985 proposal, \$1.657 billion for F&E will permit FAA to remain on schedule with a production contract for the critical replacement of air traffic control enroute computers and with other important modernization projects. However, if there is any slippage in the 1985 acquisition process, the applicable F&E funds should be used in connection with deferred programs.

Finally, we would like to bring to the Subcommittee's attention that the FY-1985 budget includes funding for a proposal to consolidate certain Terminal Radar Approach Controls (TRACON'S) into Air Route Traffic Control Centers (ARTCC's). This consolidation, as we understand it, would take place prior to the installation of the host computer and the removal of existing 9020 computers. As a result, there would be three or four different kinds of computer equipment in these facilities. That would be unwise. The TRACON's should remain at their existing locations until the new host computers and the interim sector suite are fully operational.

RESEARCH, ENGINEERING AND DEVELOPMENT

We strongly recommend that the Research, Engineering and Development (R,E&D) budget level be adopted as proposed. R,E&D is a necessary step prior to procurement of a large portion of the planned new

equipment, and funding for this work is essential. We are concerned that any cut to the requested FAA R,E&D budget can never be recovered, since the existing authorization is not cumulative. The requested level of \$269 million in R,E&D funding for FY-1985 as proposed is essential to the modernization of the ATC system.

It should be noted that the FY-1982 FAA research and development appropriation adopted by Congress included a large cut from the initially proposed budget. Even with the FY-1982 supplemental, this curtailment reduced FAA R&D to an unacceptable level. In fiscal years 1983 and 1984, substantial cuts were also made. Together, these reductions have caused major slippages in vital programs.

While the Administration proposes a level of R,E&D funding consistent with the authorization level, we hope that, within this budget, funds could be allocated to move ahead on long-overdue or deferred projects, for example: use of man machine engineering to facilitate human transition to the new air traffic control system; vertical separation standards; and demonstration of full capabilities of the Microwave Landing System in civil widebody aircraft. We urge the Committee to seek from FAA its intentions for proceeding in these important areas.

AIRPORT IMPROVEMENT PROGRAM

We fully support the FAA request for contract authority and an obligational ceiling of \$987 million for grants-in-aid to airports. This level of funding will enable full obligational authority to become available in 1985 for the Airport Improvement Program, which plays a crucial role in the development of airport facilities that support the aviation system. Airports are a vital link in the air traffic system, and the FAA's request will help assure a proper federal role in airport development.

CONCLUSION

Action is necessary to insure that the capacity of the air traffic control system is adequate to meet the transportation needs of the public. To that end, FAA controller workforce target levels must be closely reexamined

and adjusted as necessary, and every effort must be made to secure the most effective degree of controller productivity. At the same time, it is essential to move forward promptly with the implementation of the National Airspace System Plan, and to make other needed safety and capacity related improvements.

To accomplish these objectives we respectfully urge this Subcommittee to approve FY-1985 appropriations for FAA program expenditures at levels consistent with previously approved Congressional authorizations, and no less than the FY-1985 budget request, and to continue its careful oversight of the efforts to rebuild and modernize the air traffic control system.

COST OF FLIGHT DELAYS

Senator ANDREWS. Do you have any idea of how much it is costing the Air Transport Association not to have full capacity?

Mr. FLEMING. Excuse me, Mr. Chairman?

Senator ANDREWS. Do you have any figure on how much it is costing the Air Transport Association members not to have the full capacity out there that they would anticipate having?

Mr. FLEMING. Mr. Chairman, we do not have—

Senator ANDREWS. In delays, in sitting on the runway with the engines running, and one flight delayed means the next flight is delayed, and so on. How much is that costing? Do you have any figures on that?

Mr. FLEMING. Mr. Chairman, we have not been able to put together a cumulative cost for the entire airline industry, but I would be happy to submit for your record some case studies of recent examples wherein substantial delays were incurred. And these will give a good indication of the orders of magnitude of the costs involved.

Senator ANDREWS. And you could give us some idea of cost as well in that?

Mr. FLEMING. Yes, sir.

Senator ANDREWS. That would be most helpful.

Thank you, Mr. Fleming.

[The information follows:]

LETTER FROM J. ROGER FLEMING

MAY 9, 1984.

Hon. MARK ANDREWS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ANDREWS: Following the testimony I delivered on May 2 on behalf of the Air Transport Association in connection with the 1985 appropriations request of the FAA, you requested data concerning costs incurred by the airlines as a result of air traffic control delays. I stated that the ATA did not have industrywide cost data on delays but that we did possess delay data from several of our airlines which could be used in developing an answer to your question. I hope that the following information proves useful to you.

Data was obtained for the month of March 1984 from Ozark, Republic, United, USAir, and Western Airlines which we believe offers a very good sampling representing various route networks and diverse weather patterns covering the entire nation. The aircraft revenue hours flown by these five airlines approximate 31.5 percent of the total hours flown by the airlines in domestic operations—a substantial sample of airline industry experience. Because of the diversity of the operations of these five carriers, it is reasonable to assume that the delays incurred by these airlines and the size of the sample can be projected to form a reasonable approximation of industrywide delays and their resultant costs.

During the month of March these five carriers experienced delays attributable to air traffic control of 982,404 minutes. Projection for the entire domestic airline industry produces aggregate delays attributable to air traffic control of 3,118,743 minutes. Based on an average direct operating cost of \$40 per minute—a figure developed by the consulting firm of Peat, Marwick, Mitchell in a 1982 Denver Airport study—delay cost for domestic airline operations for March 1984 totalled \$124,750,000.

When the March 1984 experience is projected for a 12-month period, it translates into an annual cost of approximately \$1.5 billion for the scheduled airlines in domestic operations.

While we recognize, of course, that there are significant elements of the \$1.5 billion figure and consequent delays to the public which are attributable to such factors as airport capacity and weather, the member airlines of ATA believe that fully 30 percent of the delay costs are avoidable. These savings for the airlines and the public can be achieved through productivity gains available to the FAA with additional resources and system improvements in today's air traffic control environment. Certainly, systematic and consistent implementation of the various elements of the National Airspace System Plan would bring about even greater savings.

We think it is of particular interest to note that the airlines' annual air traffic control related delay costs are very close to the FAA's facilities and equipment budget request for the 1985 fiscal year. This brings into sharp focus the point that substantial public benefits can accrue from funding the FAA's air traffic control modernization effort at the authorized levels.

We hope that this information proves of assistance to you and to other committee members.

Sincerely yours,

J. ROGER FLEMING,
Vice President—Operations.

NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

STATEMENT OF EDWARD L. HUIE, DIRECTOR, LEGISLATIVE AFFAIRS

Senator ANDREWS. Our next witness is Russel Drew, the vice president of the United States Activities Board.

Mr. Drew is not here. Our next witness, then, is Mr. Edward Huie, the director of legislative affairs for the National Association of Air Traffic Specialists. Welcome to the Subcommittee, Mr. Huie.

Mr. HUIE. Thank you, Mr. Chairman.

Mr. Harry Duke, president of this association, regrets his absence. He is out of town on a previous commitment.

It is a pleasure to be here, Mr. Chairman, and we will discuss only four or five points. In our statement to you last year we presented a long, we thought effective, argument as to why the number of positions in the flight service system should be increased, and we are pleased to note that the FAA has indeed requested more this year, the 1985 request.

And we take note and appreciate the help of this committee in this matter, and particularly note the language in your last Senate report relative to the 1984 appropriation. It is still significant that about 45 percent of all flight assists were made by flight service system personnel, while the system was endowed with only 18 percent of the total personnel positions in the air traffic control system.

The Comptroller General supports this in his recent report to Congress, *Safety Standards on Small Passenger Aircraft*. For example, he says: "Small commuter aircraft average twice as many takeoffs and landings per hour flown as do large air carrier aircraft." And he goes on to say that 30 percent of all accidents are caused by the environment, which includes airports, weather, and terrain.

We appreciate your action in the conference report last year which directed the FAA to refer to the General Accounting Office for its evaluation and studies on whether or not air traffic control specialists at flight service stations should be afforded some of the benefits that other controllers enjoy.

I am pleased to report that that report has been published and they state in part: "Our review showed that JWK"—that's the FAA study—"results are inconclusive. The results do not support FAA's conclusion that flight service specialists should not be afforded early retirement."

And then a word about flight service station consolidation. We have heard many rumors from the field managers at FAA that they are dissatisfied with consolidate first and modernize later. And I am quoting a copy of one letter, one official letter, in which the writer says: "The consensus of opinion is that we are rushing somewhere to do something, but we really do not know where, how, or when, with the exception that it is to be located at a certain place."

Through all of this, we remind ourselves daily of Secretary Lewis' letter of January 31 to Congressman Taylor, which states: "Although our original modernization plan did include the establishment of automatic stations prior to consolidation, the need to reduce the cost to Government makes it prudent to avail ourselves of the opportunity to consolidate flight service stations as soon as feasible."

We know of your positive actions and that you, Mr. Chairman, and this subcommittee share some of our concerns. First, you delayed consolidation until April 15, 1984, and we are told at a very recent date proposed additional delay so that a thorough study could be made of the Bridgeport operation. We are profoundly grateful to you and this committee for your interest in this matter and for your wisdom.

And Mr. Chairman, the light is green.

[The statement of Mr. Huie follows:]

STATEMENT OF EDWARD L. HUIE

Mr. Chairman and distinguished members of this subcommittee, I am pleased that you have provided me with the opportunity to appear before you and to express my thoughts and opinions on the FAA Fiscal Year 1985 budget requests. Mr. Harry J. Duke, Jr., the president of this association, expresses regret for his absence due to a long ago, previous commitment.

This statement will cover five different subjects:

1. General;
2. Shortage of personnel;
3. Safety of small aircraft;
4. Study by General Accounting Office on early retirement;
5. Consolidation of facilities.

The Flight Service System is an integral part of the Air Traffic Control System. There are about 315 flight service stations throughout the United States. The personnel who staff the Air Traffic Control System are called:

- Air Traffic Control Specialist (Station);
- Air Traffic Control Specialist (Terminal);
- Air Traffic Control Specialist (Center).

These personnel are frequently called "Controllers", and one might infer that they actually control aircraft in the ordinary sense of the word "control". Federal Aviation Administration Regulation 91.3(a) clearly states: "The pilot in command of an aircraft is directly responsible for, and is the final authority as to the operation of that aircraft".

The mission of the Flight Service System is set forth on page 44 of the 1985 Budget Justification volume. It is noted that the new element: ". . .and advise Customs and Immigration of transborder flights", which was included in FAA's Orange Book of October 1, 1983, has been deleted from FAA's latest version of the mission.

We consider this to be unfortunate since experience has demonstrated that the Flight Service System can make (and has made) valuable contributions in the field of drug interdiction.

In our statement to you last year, we presented a long, and we

thought effective, argument as to why there should be additional positions (over the 4,500 requested by FAA) funded for the Flight Service System. We included an FAA in-house study which stated, "We all have concerns that aviation safety is being compromised by the continued reduction in FSS staffing".

It is indeed gratifying to us to note that the FAA is requesting 4,723 full-time permanent positions for Fiscal Year 1985. This is a trend in the right direction but is still short of full manning. We appreciate the help of the Committee in this matter and particularly note the language on page 28 of Senate Report No. 98-179.

It is still significant that 44.8 percent (1983 House Hearings, Part 6, page 497), of all flight assists were made by Flight Service System personnel while the system was endowed with only 18 percent of the total personnel positions in the Air Traffic Control System. To us, this looks like our people work in an environment where there are more opportunities to provide assistance for safe flight.

The Comptroller General of the United States recently published a Report to the Congress, "Safety Standards on Small Passenger Aircraft", (GAO/RCED-84-2 of January 4, 1984) which is germane to the Flight Service System and sets forth the major safety problems with smaller aircraft. While the report deals specifically with small air carrier aircraft, the problems set forth are applicable, we believe, to all general aviation aircraft. These are the primary customers of Flight Service although we serve all aircraft. An appropriate excerpt from this report follows:

"For a variety of reasons it is difficult to attribute an aircraft accident to any single cause or factor. According to NTSB reports, aircraft accidents generally result from multiple causes. Yet, based on the accident statistics, one fact remains clear: Flying in a small carrier aircraft is definitely less safe than flying in a large one.

"How small commuter and air taxi aircraft are used obviously affects the level of safety they can achieve. For example, small commuter aircraft average twice as many take-offs and landings per hour flown as do large air carrier aircraft (most accidents occur during take-offs and landings). Also, commuter and air taxi aircraft serve a significantly larger number of lesser equipped or remote airports than the large aircraft. Finally, small aircraft spend considerably more time operating at lower altitudes, where flying weather is often less than ideal.

"The incongruity of this situation, however, is that small aircraft, which are operating potentially under the more hazardous conditions, are being built and operated under FAA's least stringent airworthiness standards and operating rules for air carriers.

"MAJOR CAUSES AND FACTORS THAT INFLUENCE AIR CARRIER ACCIDENTS

"While we cannot draw a direct link between accidents and specific causes, our analysis of FAA accident data for the period 1975-81 indicates that the causes and factors of air carrier accidents are related to three areas.

- personnel (including pilot and flight crew and other personnel such as mechanics and dispatchers),
- environment (airports, weather, and terrain), and
- aircraft (airframe, powerplant, instruments, and accessories).

"Using FAA and NTSB data and our own analyses of these data on 1,327 commuter and air taxi accidents that occurred during 1975-81, we found that about 53 percent of the accident causes and factors were personnel-related, 30 percent were related to the environment, and 14 percent were related to the aircraft."

Mr. Chairman, we appreciate your action in Conference Report No. 97-960 which directed the Federal Aviation Administration to refer to the General Accounting Office for its evaluation studies on whether Air Traffic Control Specialists at flight service stations should be afforded early retirement benefits currently available to other Air Traffic Control Specialists.

We are pleased to report to you that the GAO Report was published on March 27, 1984 (copy attached) and one excerpt from that report is quoted:

"Our review showed that JWK's* study results are inconclusive. The results do not support FAA's conclusion that FSS specialists should not be afforded early retirement. . ."

And in conclusion, Mr. Chairman and members of the Committee, a word about Flight Service Station Consolidation.

Information on the progress of the Bridgeport FSS is scant and we are not in a position to evaluate that operation at this time. We are confident, however, that the FAA is doing everything possible to make this consolidation a success.

We are told that at a recent Facility Managers meeting in one FAA region, the managers expressed dissatisfaction with the FAA's "consolidate first - modernize later," policy.

In another region a facility manager sent a letter to his operations manager expressing considerable unhappiness with the consolidation program. One paragraph of his letter says:

"The consensus of opinion is that we are rushing somewhere to do something but we really do not know where, how, or when with the exception that it is to be lo-

*JWK is the FAA contractor

cated at _____ city, state. 'Let's do something, even if it is wrong', seems to prevail. We have waited a long time to get to where we are presently so why not take a slower more deliberate approach to this program? Phase out the old facilities in a more coordinated deliberate manner that allows for personal considerations and user needs. Everyone realizes that this transition is inevitable and that we must have an operational plan for opening the new facility. However, without the proper equipment (Model 1 or 2) that the new facility is designed to operate with, we are not going to accomplish anything except confusion, deteriorated services, and user/employee dissatisfaction."

Through all of this, we remind ourselves daily of Secretary Lewis' letter of January 31, 1983 to Congressman Taylor which stated in part:

"Although our original FSS modernization plan did include the establishment of automated stations prior to consolidation, the need to reduce the cost of Government makes it prudent to avail ourselves of the opportunity to consolidate FSS's as soon as feasible."

Saving money for the Government is indeed meritorious, however, if safety is neglected, successful liability litigation could cost the Government much more than any savings achieved.

We know from your positive actions that you, Mr. Chairman, and this Subcommittee share some of our concerns. First you delayed consolidations until April 15, 1984 and we are told that of very recent date, proposed additional delay so that a thorough study could be made of the Bridgeport operation.

We are profoundly grateful for your interest and your wisdom. Thank you Mr. Chairman.

GENERAL ACCOUNTING OFFICE REPORT ON EARLY RETIREMENT OF FLIGHT SERVICE STATION SPECIALISTS

The Honorable William Lehman
Chairman, Subcommittee on
Transportation
Committee on Appropriations
House of Representatives

27 MAR 1984

Dear Mr. Chairman:

Subject: Review of Studies on Early Retirement
of Flight Service Station Specialists

Conference Report No. 97-960¹ directed the Federal Aviation Administration (FAA) to refer to GAO for its evaluation studies on whether flight service station (FSS) specialists should be

¹Conference Report No. 97-960, Making Appropriations for the Department of Transportation and Related Agencies for the Fiscal Year ending September 30, 1983, and for Other Purposes, December 13, 1982.

afforded early retirement benefits currently available to air traffic controllers. In May 1983 the FAA Administrator forwarded to GAO two studies: (1) a November 1981 report prepared by JWK International Corporation for FAA and (2) an April 1982 critique of the JWK study prepared by Ruttenberg, Friedman, Kilgallon & Associates, Inc. (RFKA), at the request of the National Association of Air Traffic Specialists.

In June 1983 we agreed with your office to review the validity of the methodology and data analysis presented in the two studies. Our work was based solely on information presented in the studies, and we did not attempt to independently validate whether FSS specialists should or should not be afforded early retirement. In September 1983, we discussed the results of our evaluation of the studies with your office. This letter summarizes the information presented at that briefing.

Our review showed that JWK's study results are inconclusive. The results do not support FAA's conclusion that FSS specialists should not be afforded early retirement because:

- The sample size was too small and might not have been representative of all FSS specialists.
- The criteria to assess FSS specialists' performance were not proven to be valid measures.
- Age was not shown to be the cause of noted performance deficiencies.
- Faulty study implementation could have introduced bias and error into the results.

In addition, it appears that JWK was limited by time and resource constraints which may have precluded it from selecting a random and statistically valid sample.

With regard to RFKA's critique of the study, we generally agree with RFKA that the study results are inconclusive. However, we do not agree with RFKA's assertion that the only statistically acceptable finding is that FSS specialists' performance deteriorates with age.

BACKGROUND

FAA initiated a study of flight service station personnel in April 1981 in response to the House Appropriations Committee's request that an independent review be conducted of those factors which may bear on the issue of providing early retirement benefits to FSS specialists. FAA contracted with JWK International Corporation to conduct this study at a cost of about \$75,000. During a 2-week period in August 1981, JWK visited 15 FSSs throughout the United States and collected data on age, length of service, and job performance of FSS specialists. Job performance was measured by supervisory ratings and specialists' performance in completing three skills tests.² JWK also compared the FSS specialists' experience relative to medical disqualifications, waivers, and disability retirements with the experience of air traffic controllers. In addition, JWK estimated the cost to FAA for

²These were tests on (1) preflight services/pilot briefings, (2) inflight services, and (3) emergency services. The tests were developed by FAA for use in training FSS specialists at the FAA Academy in Oklahoma City.

extending early retirement benefits to FSS specialists. The JWK study found that age exerts only a minor influence on job performance. Based on the findings and conclusions of the JWK study, FAA contends that FSS specialists should not be afforded early retirement.

To determine if the study was proper and adequate and if the conclusions fairly stated the findings, the National Association of Air Traffic Specialists contracted with RFKA to thoroughly analyze the methodology and testing methods used by JWK. In summary, the April 1982 RFKA critique challenged the JWK study on the basis of faulty implementation and design problems. RFKA concluded that the JWK study was not adequate to make an informed decision on the extension of early retirement benefits to FSS specialists. RFKA also stated that the only statistically acceptable finding which could be drawn from the study is that specialists' performance deteriorates with age.

OBSERVATIONS

We have the following observations on the JWK research design and study implementation and RFKA's critique of that study.

1. The sample size was too small and might not have been representative of all FSS specialists.

JWK sampled only 15 of over 300 stations in the United States and obtained information from 162 of over 4,500 total FSS specialists. The sample was not random and might not have been representative of the population. It was also too small to assure reasonable statistical certainty. Furthermore, the judgment sample used was not representative of such important conditions as geographic locations, FSS levels of activity, and experience of FSS specialists. A sample size of about 500 specialists selected at random from the 4,500 specialists, or nearly all of the FSS specialists in 50 sites selected at random from the more than 300 stations, would provide a more statistically sound base. The FAA Project Technical Officer stated that the sites selected provided a cross-section of all FSSs.

2. The criteria to assess FSS specialists' performance were not proven to be valid measures.

The two performance measures--supervisory ratings and skills tests to measure knowledge of inflight, preflight, and emergency services--may not be adequate predictors of performance. The results of the ratings did not correlate well with the results of the skills tests with respect to performance, indicating that either they did not account for a common cause of performance deficiencies, or that one of the measures was irrelevant. Also, both measures may be biased for a variety of reasons, such as the skills tests favoring well-educated respondents, or supervisory ratings reflecting age discrimination.

JWK's proposed study design recognized that potential biases could exist in supervisory ratings and skills tests and advocated the use of skilled performance evaluators to assess actual operational performance. FAA disapproved this proposal on the basis that JWK's study plan did not identify the methodology to be used in selecting expert evaluators and because of logistical problems and travel costs in administering the tests. Rather, JWK used FAA's recommended approach of using supervisory ratings as a measure of specialists' performance.

3. Age was not shown to be the cause of noted performance deficiencies.

The JWK study tested for an association between age and performance but, with the exception of experience, it did not account for, or rule out, other factors which could also affect performance. For example, education and lack of developmental opportunities could also affect performance, but these were not considered.

4. Faulty study implementation could have introduced bias and error into the results.

The study itself did not include adequate pretesting (e.g., trial runs to test the appropriateness of the procedures and measures used). JWK used the first day of data collection at the first site as the pretesting period. Meanwhile, other data collection staffs were already en route to their assignments before the pretest operation was completed. One type of problem that pretesting resolves is the allowance of sufficient time to complete data collection. We noted that data collection staffs did not and probably could not complete their assignments in the allotted time and obtained complete information on less than one-half of the FSS specialists contacted. JWK obtained performance assessment supervisory ratings on 58 percent of the respondents and obtained complete data, including results of the three skills tests, on 43 percent of the respondents. Moreover, the data were not always collected under controlled conditions. There were instances where subject responses were made during a busy work period. FAA said that response data were not complete because the FSS specialists' participation was voluntary and that some specialists were apprehensive about participating in the survey.

5. The JWK study does not, as RFKA contends, statistically support a finding that performance deteriorates with age.

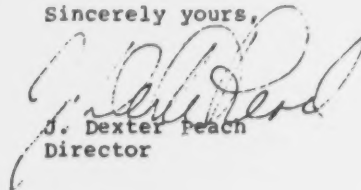
We generally agree with RFKA's determination that the findings of the JWK study are inconclusive. However, we do not agree with the position taken by RFKA that discredits the JWK methodology but at the same time indicates that the study supports a finding that performance deteriorates with age. In this regard, the JWK study takes the position that the effect of age on performance is trivial, typically accounting for about 5 percent of noted performance deficiencies.

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On December 19, 1983, we briefed the Acting Director of FAA's Office of Personnel and Training on the results of our review. Except as noted under item 4, he offered no comments on our findings. However, he did tell us that FAA stands firmly behind the JWK study and continues to believe that the study results are valid.

We are sending copies of this letter to the Secretary of Transportation, the Acting Administrator of FAA, the research firms of JWK and RFKA, and the National Association of Air Traffic Specialists. Copies will be made available to others upon request.

Sincerely yours,



J. Dexter Peach
Director

MORE FORMAL TRAINING NEEDED FOR CONTROLLERS

Senator ANDREWS. I appreciate that very much.

Are you satisfied with the amount of training the new specialists have when they come on board, or are they still essentially untrained and have to get most of their training on the job?

Mr. HUIE. Well, we would like to see more formal training for our people. We think that it is inadequate. Most of it, as we have testified to before, is on the job training, which consists of going in another room and reading the manual.

Senator ANDREWS. As you know, we have started an institution at our University of North Dakota, and I am sure some other schools have the same thing, where the people going into this field have 4-year college degrees, extensive training. And I think you have always felt that this is highly desirable.

Mr. HUIE. Well, we think it is a wonderful program, Mr. Chairman, at the University of North Dakota, and we believe this would be, on long-range planning, the only solution to many of FAA's problems.

Senator ANDREWS. But this is a professional status organization and it deserves the caliber of people who have college degrees and a great deal of training before they come on board, and even then they are going to need on the job training to get their skills up to snuff.

Mr. HUIE. There is no question about it. I think primarily the FAA recruits technicians. And in the field of leadership, they have to teach that themselves.

Senator ANDREWS. Thank you very much.

Mr. HUIE. Yes, sir, Mr. Chairman.

Senator ANDREWS. Our next witness is John Winant, representing the National Business Aircraft Association, Inc. And he has a panel of multitudes, sort of like a Cecil B. DeMille extravaganza.

Mr. WINANT. Yes, sir, we are here in force this morning.

Senator ANDREWS. Welcome to you and your panel. I understand you are the spokesman and any other statements, of course, are being filed for your force.

NATIONAL BUSINESS AIRCRAFT ASSOCIATION, INC.

STATEMENT OF JOHN H. WINANT, PRESIDENT

ACCOMPANIED BY:

WILL T. HEGMAN, IV, CHAIRMAN OF THE BOARD, NATIONAL AIR
TRANSPORTATION ASSOCIATION
TULINDA DEEGAN, VICE PRESIDENT, GOVERNMENT RELATIONS,
REGIONAL AIRLINE ASSOCIATION
PAUL P. BOLLINGER, JR., VICE PRESIDENT, PUBLIC AFFAIRS,
AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES
FRANK L. JENSEN, JR., EXECUTIVE DIRECTOR, HELICOPTER
ASSOCIATION INTERNATIONAL
J. J. CORBETT, VICE PRESIDENT, FEDERAL AFFAIRS, AIRPORT
OPERATORS COUNCIL INTERNATIONAL
J. ROGER FLEMING, VICE PRESIDENT, OPERATIONS, AIR TRANSPORT
ASSOCIATION OF AMERICA

Mr. WINANT. Thank you, Mr. Chairman.

I will not introduce the other members of the group who are here with me. I would ask that each of them give a copy of their card to the reporter so they will be reported as being present.

Senator ANDREWS. Well, the record will state who has been here and that they are joining you in your testimony, sir.

Mr. WINANT. Thank you, sir.

We are here to express a unified statement, and we do so in the hope that this will not only conserve your time, sir, but will underline the fact that we do come together with a common set of concerns and that we share a great sense of seriousness with this year's appropriations process.

We feel that failure to implement—and by that I mean in full and on time—the programs called for in the 1982 Airport-Airway Development Act will lead inevitably to a crisis situation in which the capacity of the Nation's airport-airway system cannot accommodate the transportation needs of the public. The programs authorized in that act fell victim last year to pressures aimed at producing a slightly less imbalanced Federal budget. As a result, the upgrading programs did not materialize and numerous programs were postponed.

We fully support the appropriations at levels requested by the administration in its budget request. These proposals total \$2.913 billion, less than the \$2.974 billion projected to flow into the aviation trust fund. In other words, revenues will be greater than expenses, and this to us is a true pay as you go mechanism.

If the full requested amounts are not appropriated, serious consequences will result. The needs of the Nation for an efficient, unconstrained air traffic control system will not be met. There will be growing shortfall of needed runway, taxiway, and terminal facilities at airports across the Nation.

There will be inevitable strong pressures to reduce or eliminate aviation user taxes, pressures based on the reasonable argument that dedicated tax revenues should not be used as manipulative tools in the budget process, but rather for the purposes intended.

And finally, we feel that the concept which is so vigorously supported by this administration that users should pay a reasonable share of the costs of federally provided systems will have been dealt a crippling, perhaps fatal blow.

We thank you for the opportunity of making this statement. I would like, sir, to offer into the record a statement which I would have presented for the National Business Aircraft Association if time had permitted.

[The statements of Mr. Winant follow:]

STATEMENT OF JOHN H. WINANT, PRESIDENT, NATIONAL BUSINESS AIRCRAFT
ASSOCIATION, INC.

The National Business Aircraft Association, Inc., (NBAA), represents over 2,800 companies operating more than 5200 aircraft as a means of facilitating the normal conduct of their day-to-day business activities. We appreciate the opportunity to submit this statement for the record on the FY 1985 appropriation for the Federal Aviation Administration.

Air transportation in this country is at a crossroad. Which path is chosen will determine the future of air transportation into the 21st century. Current trends indicate that capacity of the existing air traffic control system is being severely limited in certain areas. As a result artificial constraints are being imposed upon operators of all classes of aircraft in attempts to ensure system efficiency. Many flights experience routine delays of an hour or more, even when the constriction on the system is thousands of miles away.

These problems are difficult ones indeed. They result from years of benign neglect on the part of successive Administrations and Congresses. They can however, be remedied. The remedy is a forthright one; appropriate the money collected from the system's users and pay for the expansion and modernization set forth in the FAA's National Airspace System Plan (NASP), approved by Congress in 1982, and for the Airport Improvement Program (AIP).

Since 1982, airline ticket holders, air freight users and private aircraft operators have been paying substantially increased user taxes levied specifically to finance airport development and to modernize the National Airspace System. Yet, while the taxes have been paid by the users and collected by the government, the needed monies have not been appropriated. In fact, an estimated \$3.4 billion will sit, idle in the trust fund, as uncommitted by the end of FY 1984. All this while the system ages and adequate service is not provided to users. To date a mockery has been made of the user-fee concept whose proponents so vigorously maintain there is no intrinsic public benefit in what they term "specialized" programs such as this nation's air transportation system. The users, willing to pay a fair share of system costs, have cooperated

with the government in good faith. That faith has been broken too many times. If real, identifiable, legitimate progress toward implementation of the NASP through the expenditure of authorized levels of user-provided funds is not made during the present appropriation cycle there will be a backlash. Justifiable efforts will be made to reduce the taxes on aviation activity to a level which more accurately reflects the amounts actually being spent on the system by the federal government. Users have every reason to expect no less than the full, authorized level of appropriations for FAA programs. The crossroad has been reached by the users and by Congress. It is up to the Congress to decide which route we shall take.

We believe the NASP is an essential, urgently required capital investment program whose implementation must not be further delayed. We therefore list below some of the more important indicators of the status of our nation's air transportation system, its future and its needs. All of these are addressed by the NASP in specific programs and, in the case of airports, by the AIP. The solutions to these problems were presented by the Administration in 1982 and approved by Congress. It still remains for the Administration and the Congress to take bold actions to request and appropriate the user-provided funds to the program moving.

CAPACITY CONSTRAINTS

Describing the growth expected in domestic air transportation last month, then Acting Administrator Michael Fenello stated that FAA expects to handle 2.9% more enroute aircraft in 1984 than in 1983. In one year's time FAA expects a 7.7% increase in instrument operations, 7.7% increase in landings and takeoffs, 5.8% increase in flight services, 6% increase in revenue passenger miles and 4.8% increase in hours flown by General Aviation. Between now and 1995, when the NASP should be fully operational, FAA forecasts a 59.8 percent increase in total operations. This growth is an indication of the value of aviation to the nation's economy. As demands on an individual's time and the need to travel increase, people naturally turn to air transportation whether by airline or private aircraft. Unless projected growth is accommodated by expanding the capacity of the airspace system and funding of long-neglected airport

improvement needs, economic development will be stifled and business expansion will be slowed. At a time when the Federal government should be seeking to expand the air transportation system, and issues press releases to the effect that expansion is occurring, its actions indicate exactly the opposite is happening.

As an example, on March 6, 1984, the FAA published an "interim final rule" on high-density airports. The comment period for the rule was four days, and closed on March 10, with implementation of the rule set for April 1. The rule represents a significant setback in stated FAA progress toward removal of capacity constraints as the air traffic control system returned to normal in the aftermath of the August, 1981, PATCO strike. Indeed, such constraints were imposed even after the Secretary of Transportation stated that all artificial constraints would be lifted. Oddly, and although the revised high-density rule restricts operations at designated airports, the FAA states that the need for the rule does not stem from congestion at the airport. Instead, the FAA maintains it stems from the inability of the system to handle the increases in enroute traffic which accompany upturns in the economy and which are forecast to continue. It is just this sort of situation, which leads inexorably to constraint, that the NASP is designed to remedy through installation of new computers in Air Route Traffic Control Centers, new radars and data links to provide air traffic information to aircraft.

PRECISION APPROACH CAPABILITY

When Congress approved the NASP, it also approved installation of the Microwave Landing System, or MLS, an electronic precision approach system designed to replace the current ILS or Instrument Landing System as the nation's precision approach aid. Proliferation of precision landing capacity spreads out the demand over more airports, if implemented. FAA however, made an arbitrary policy decision that no new ILS equipment, including some already in the agency's pipeline, would be approved for installation due to the anticipated purchase of MLS. Because of continued delay in funding the NASP, and thus in procurement of MLS, many airports across the Nation still lack the precision approach capability for which they are qualified. This situation is a travesty,

impacts adversely on the efficiency and capacity of the air transportation system and is another direct result of the Administration's vacillating support and Congress' failure to fund the NASP.

When finally revealed to us, we learned FAA planned to install many of the first MLS systems at airports which already possess precision approach capabilities. This direct substitution policy would result in no net aviation safety gain in precision approach capability in our air transportation system. NBAA and other aviation groups have asked FAA to take two actions to alleviate this obvious capacity-limiting problem. First, to not fall further behind we recommended FAA purchase a few ILS systems to be installed at those airports which are eligible to receive their first precision approach equipment but had their hopes dashed by the FAA policy. The second recommendation is to modify the proposed installation schedule of the MLS program. This would concentrate the initial buy of MLS equipment at those airports which currently have no precision approach capability, or those which have higher weather minimums for existing ILS procedures because of terrain, or those which have siting problems unique to the airport but which MLS is designed to alleviate. We have previously provided copies of the MLS letter to members of the Subcommittee. We append copies of both letters and respectfully ask that they be included in the record.

If FAA were to adopt our recommendation, more airports would receive precision approach capability sooner, thereby affording a significant increase in safety for all flights, air carrier, commuter, air taxi and business aviation, than would otherwise be possible through expenditure of like amounts in a mere substitution program. We urge this Subcommittee to direct the FAA to adopt our proposal as a means to effect a quantum step toward safer, more efficient air transportation system.

FLIGHT SERVICE STATION MODERNIZATION

As this Subcommittee is fully aware, one portion of the NASP concerns the consolidation and modernization of the existing Flight Service Station network from a decentralized, labor-intensive system using technology which was obsolete

in the 1950's, into one which is capable of providing real-time weather information instantaneously. The future system will be largely independent of the need for a briefer to spoon-feed information to a pilot, will cost less in the long run, be more efficient of both the pilot's and the briefer's time and make full use of the advanced in electronics and communications since 1950.

As an indication of the inefficiency of the existing Flight Service Station concept, a growing number of users simply sidestep the local FSS and obtain the required weather and flight information from third-party vendors. The information is received through a personal computer or terminal connected to the vendor's computer by telephone. The information is identical to that provided by an FSS, as it comes from the same sources, and is retrieved much more readily. This is a sad state of affairs, especially considering the current technology found in home computers costing less than one thousand dollars. Indeed, the aircraft being flown today carry significantly more sophisticated electronics than FSS briefers have to brief the pilots who fly them. Unfortunately, many have sought to delay or eliminate the modernization and consolidation of Flight Service Stations for reasons completely unrelated to the purposes of the system. Inappropriate questions have been raised about almost every aspect of the FAA's plan except the overwhelming need to improve the network of Flight Service Stations.

As an example of extreme argumentation, a Senator was recently contacted by a person claiming that pilots would have to be retrained in order to read raw weather data presented to them by the equipment proposed to be used in modernized Flight Service Stations. This panel should know that this type of information is required to be interpreted on FAA's own written exams for all pilot certificates. Any pilot unable to comprehend such data is a menace to other pilots as well as to those on the ground. Consequently, a pilot's alleged "inability" to read and interpret weather data is a prime example of the kind of "non-issue" so prevalent in the debate surrounding Flight Service Station modernization and consolidation.

AIRPORT INVESTMENT

As mentioned above, funding for airport improvement through the Airport Improvement Program is also critical to future growth in aviation. The High Density Rule, while being carried out in the airspace, was created due to concerns about congestion at certain airports. While there are many reasons for this congestion, it is not a problem without a solution. Existing airports with congestion problems can alleviate a great amount of these problems by building expanded facilities for parking and servicing aircraft, lengthening runways, building additional and wider taxiways and by building new, shorter runways to accommodate aircraft capable of shorter take-offs and landings. Former FAA Administrator Lynn Helms proposed building 3000 foot-long runways parallel to existing ones in order to relieve the pressure on the longer, main runways which in many cases must perforce be used for all aircraft.

Additional uses for AIP funds would be to improve the status of reliever airports in this country. Although many facilities have been officially designated as "relievers" making them eligible for special funding, the money is not flowing to them as it should because it has not been appropriated. We must emphasize that this is the case not because the money is not in hand; it is. It is because the Administration and Congress have failed to spend the money collected from aviation users.

As an indication of the need for airport funding, on March 20, 1984, the FAA had 461 pre-applications from primary and commercial service airports. This represents some \$971.5 million in AIP requests. Additionally, there were 731 pre-applications for general aviation and reliever airports representing \$536.8 million in funding. In total, some 1192 applications are pending at FAA. These applications total \$1.5119 billion in funding needs. The FAA is approving AIP grant projects up to the maximum appropriated. However, their ability to meet the demand for airport funding is dependent upon the amounts Congress appropriates.

Our nation's air transportation system is at an important crossroad. We can continue down the path leading to saturation of the air traffic control

system, inadequate and outmoded approach capabilities and labor-intensive, obsolete flight service station equipment. This path would be cheaper to follow and would be easier. All that is required is for the legislative and executive branches to do nothing.

The other path is admittedly more difficult. It requires fulfillment of a firm commitment made two years ago. It requires expenditure of funds collected and programmed for the purposes carefully developed in 1982. It requires the wisdom of some in Congress to relinquish a redundant FAA facility or two from their state or district. It requires users to invest in new equipment in order to preserve the utility of their aircraft. It is a challenging path which will take time to travel but the rewards are great.

Thank you for the opportunity to present this statement.

LETTER FROM JOHN O'BRIEN, AIR LINE PILOTS ASSOCIATION, ET AL.

The Honorable Michael J. Fenello
Acting Administrator
Federal Aviation Administration
800 Independence Avenue, S.W.
Washington, D.C. 20591

April 2, 1984

Dear Mr. Fenello:

The aviation organizations listed below have recently cooperated in a thorough review of the FAA's MLS implementation plans. The review was sparked by our concerns about the proposed sites listed in the MLS contract.

Our first analysis of FAA's planned installations showed that nearly all of the initial "buy" would, in fact, be serving runways already equipped with ILS. We unanimously agreed that this approach to MLS implementation would result in a very small gain in total precision approach capability for many years. We therefore undertook an airport-by-airport review of the implementation program and came to agreement on a proposed list of candidate locations (attached) for installation of early MLS equipment.

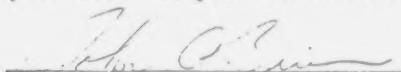
The thrust of our logic has been that the key criteria used for selecting airports and heliports for new precision approaches should be safety and aeronautical need. The U.S. Congress, in the Airport and Airway Improvement Act of 1982, stated that an airport receiving commercial air service should have the highest degree of safety, and to the extent possible, a precision approach system. The FAA's Satellite Airport Program was designed to enhance the safety of busy airports by attracting some air traffic to other nearby airports. Accordingly, we have included those designated Satellite Airports, Essential Air Service Points, and Commuter Airports which have no precision approach in our list of MLS first "buy" locations. All of these airports/heliports have previously identified safety needs.

Aeronautical need includes, but is not limited to, increased airport capacity, increased Air Traffic Control (ATC) flexibility, reduced community noise exposure, reliable and increased commercial air service, provision for non-interfering helicopter and STOL operations, and reduction of traffic delays and congestion. While considered separate criteria, meeting these aeronautical needs also results in enhanced safety. We have therefore included Reliever Airports with more than 300 based aircraft and no precision approach, airports/heliports that are near capacity or have reached capacity, and certain locations where an MLS would result in lower approach minimums than are now possible. We do not recommend dual ILS/MLS installations for this first "buy" except at locations where the ILS is restricted due to facility performance or where capacity and/or ATC flexibility could be increased. In most cases, an MLS location justified on the basis of safety can also be justified on the basis of aeronautical need.

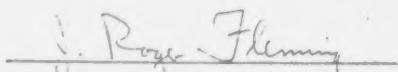
Finally, we have included a number of airports that, at one time, qualified for their first ILS approach under Aeronautical Planning Standard One (APS-1), but were cancelled when the MLS program was announced. Although we believe these locations should have ILS installed, as indicated in our letter to you dated February 14, 1984, they should promptly receive an MLS if an ILS is not installed. The fact that these airports previously qualified for a precision approach under APS-1 indicates that the return of traffic and future growth can be expected at that location when the industry fully recovers from the recent recession. Aeronautical need at these locations, therefore, can be best filled by installing precision approach equipment, even if the airport does not currently qualify under APS-1 criteria.

By providing MLS precision approach guidance at the airports and heliports we have suggested, the early design and use of low cost airborne receivers will be fostered. As these receivers are placed in service, the safety, capacity, and flexibility of the nation's air transportation system will be enhanced with a significant number of precision approaches being conducted at additional airports and runways. We believe those users whose operations would clearly benefit from the use of MLS will voluntarily equip their aircraft accordingly.

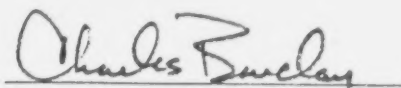
We would be glad to discuss this further with you or members of your staff at your convenience.



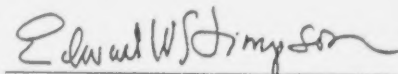
Air Line Pilots Association
John O'Brien



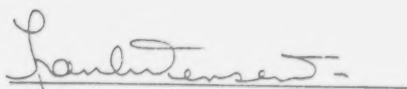
Air Transport Association
J. Roger Fleming



American Assoc. of Airport Executives
Charles Barclay



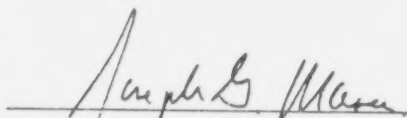
General Aviation Manufacturers Assoc.
Edward W. Stimpson



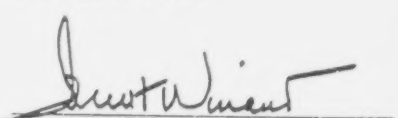
Helicopter Association International
Frank L. Jensen, Jr.



National Air Transport Association
Lawrence L. Burian



National Assoc. of State Aviation Officials
Joseph G. Mason



National Business Aircraft Assoc.
John H. Winant



Regional Airline Association
Duane H. Ekedahl

JOINT INDUSTRY RECOMMENDATIONS FOR FIRST BUY MLS LOCATIONSLEGEND

April 2, 1984

- (1) Essential Air Service (EAS) point.
- (2) Reliever Airport with 300 or more based aircraft.
- (3) FAA designated "Satellite" airport.
- (4) FAA designated "Commuter" airport that was selected to receive an ILS.
- (5) Served by a commuter and should be considered for precision approach.
- (6) Location that was included on aviation associations list to receive ILS equipment (see letter to Mr. Fenello dated February 24). These locations should receive a first buy MLS only if the ILS equipment is not provided.
- (7) Location that was on FAA original list for first buy MLS that cannot obtain ILS, i.e., problem site.
- (8) Regional input indicates valid requirement for first buy MLS.
- (9) Selected major airports where the addition of MLS will increase capacity/flexibility, i.e. stub runways, short runways, helicopter landing areas, or runways with no ILS at all.

STATE & CITYCURRENT APPROACH
CAPABILITY OR MLS RUNWAYALABAMA

Birmingham - BHM (7)	MLS runway 23 (LOC Only)
Gadsden - GAD (4)	VOR
Selma - SEM (6)	VOR

ARIZONA

Douglas - DUG (5)	VOR/DME
Flagstaff - FLG (1)	VOR/DME
Kingman - IMG (1)	VOR
Lake Havasu - LHU (1)(4)	VOR/DME-A
Mesa/Falcon Field - P16 (2)	NDB
Page - PGA (1)	VOR-A
Phoenix/Deer Valley - DVT (2)	NDB
Winslow - INW (1)	VOR

ARKANSAS

Camden - CDH (5)	VOR/DME
El Dorado - ELD (1)(4)	LOC/OM
Fayetteville - FYV (1)(4)	LOC/OM

ARKANSAS

Harrison - HRO (1)(4)	LOC/OM
Jonesboro - F88 (1)(4)	VOR
West Memphis - AWM (6)	VOR/DME-A

STATE & CITYCURRENT APPROACH
CAPABILITY OR MLS RUNWAYCALIFORNIA

Blythe - BLH (1)	VOR/DME
Burbank - BUR (7)	MLS Rwy 07 (Restricted ILS)
Concord - Buchanan Field - CCR (2)	LDA
El Monte - EMT (2)	VOR/DME-B
Eureka - EKA (6)	VOR
Fullerton - FUL (2)	LOC
Hawthorne - HHR (7)	MLS Rwy 25 (LOC only)
Imperial - IPL (5)	VOR
Inyokern - IYK (4)	None
Lake Tahoe - TVL (1)	LDA/DME
Mammoth Lake - MMH (6)	None
Ontario - ONT (7)	MLS Rwy 26R (LOC only)
Palm Springs - PSP (5)	VOR/DME
Palo Alto - PAO (2)	None
Red Bluff - RBL (6)	VOR/DME
San Carlos - SQL (2)(3)	None
San Diego - Gillespie - SEE (2)(3)	None
San Francisco Intl. - SFO (9)	MLS Rwy 19R/01R
San Jose - Reid - Hillview - RHV (2)	None
San Luis Obispo - SBP (1)(4)	LOC
Santa Monica - SMO (2)	LOC
Tracy - 036 (3)	VOR-A
Upland/Cable Field - CCB (3)	VOR

COLORADO

Alamosa - ALS (1)(4)	VOR/DME-B
Colorado Springs - COS (7)	MLS Rwy 35 (Restricted ILS)
Cortez - CEZ (1)(4)	VOR
Denver - DEN (9)	Rwy 8L
Gunninson - GUC (1)	VOR
Lamar - LAA (1)	VOR
Montrose - MTJ (1)(4)	VOR
Steamboat - SBS (5)	None

DISTRICT OF COLUMBIA

Washington National - DCA (7)(9)	MLS Rwy 18 (LDA/DME with glideslope)
Washington National - DCA (9)	MLS Rwy 33

FLORIDA

Jacksonville/Herlong - 23J (3)	None
Key West - EYW (1)	VOR
Marathon - MTH (4)	NDB
Mariana - MAI (6)	VOR
Naples - APF (4)	VOR/DME
Punta Gorda - PDG	VOR
Vero Beach - VRB (4)	VOR/DME

GEORGIA

Athens - AHN (6)	VOR
Augusta/Daniel - DNL (6)	VOR
Lawrenceville - 17A (6)	VOR/DME
Moultrie - MGR (1)	VOR

<u>STATE & CITY</u>	<u>CURRENT APPROACH CAPABILITY OR MLS RUNWAY</u>
<u>IDAHO</u>	
Caldwell - U35 (2)	None
<u>ILLINOIS</u>	
Romeoville/Lewis Univ. - LOT (2)	VOR
Waukegan - UGN (6)	LOC
<u>INDIANA</u>	
Elkhart - EKM (1)	SDF
<u>IOWA</u>	
Clinton - CWI (1)(4)	LOC/OM
Iowa City - IOW (6)	VOR
<u>KANSAS</u>	
Dodge City - DDC (6)	VOR/DME
Garden City - GCK (1)(4)	LOC/OM
Great Bend - GBD (1)(4)	LOC
Hays - HYS (1)(4)	LOC
Lawrence - 3LA (4)	VOR/DME-A
Parsons - PPF (1)(4)	VOR
<u>KENTUCKY</u>	
London - LOZ (6)	VOR/DME
Louisville/Bowman - LOU (2)	VOR
Murray - CEY (3)	NDB
<u>LOUISIANA</u>	
Patterson - PTN (1)(4)	LOC/DME
Houma - HUM (4)	LOC
<u>MAINE</u>	
Watterville - WVL (6)	LOC
<u>MASSACHUSETTS</u>	
Beverly - BVY (6)	LOC
Boston - BOS (9)	MLS Rwy 27; 22R
Hyannis - HYA (7)	MLS Rwy 24 (Restricted ILS)
Plymouth - PYM (3)	VOR
<u>MARYLAND</u>	
Baltimore - BWI (9)	MLS Rwy 15L/33R
Cumberland - CBE (1)(4)	LOC-A

<u>STATE & CITY</u>	<u>CURRENT APPROACH CAPABILITY OR MLS RUNWAY</u>
<u>MICHIGAN</u>	
Fremont - 3FM (6)	VOR
Manistee - MBL (6)	VOR
Menominee - MNM (1)	VOR
Port Huron - PHN (6)	VOR/DME-A
<u>MINNESOTA</u>	
Fairmont - FRM (1)	VOR/DME
Mankato - MKT (1)	LOC
Minneapolis/Flying Cloud - FCM (2)	LOC
Worthington - OTG (1)	VOR/DME
<u>MISSISSIPPI</u>	
Natchez - HEZ (1)(4)	LOC
<u>MISSOURI</u>	
Ft. Leonard Wood - TBN (1)(4)	LOC
Jefferson City - JEF (4)	LOC
Kaiser/Lake Ozark - AIZ (4)	VOR
Kirksville - IRK (1)(4)	LOC
Poplar Bluff - POF (1)(4)	SDF
St. Louis - STL (9)	MLS Rwy 12L; 17
<u>MONTANA</u>	
Glasgow - GGW (1)(4)	VOR
Glendive - GDV (1)	NDB
Harve - HVR (1)	VOR
Lewistown - LWT (1)	VOR
Miles City - MLS (1)	VOR/DME
Sidney - SDY (1)	NDB/DME
Wolf Point - OLF (1)	NDB
<u>NEBRASKA</u>	
Alliance - AIA (1)(4)	VOR
Chadron - CDR (6)	VOR
Columbus - OLU (1)(4)	LOC
Hastings - HSI (6)	VOR
Kearney - EAR (1)(4)	LOC
McCook - MCK (6)	VOR/DME
Sidney - SNY (1)	VOR/DME
<u>NEVADA</u>	
Elko - EKO (1)	VOR/DME-B
Ely - ELY (6)(1)	VOR/DME-C
Henderson - L15 (6)	None
<u>NEW HAMPSHIRE</u>	
Laconia - LCI (6)(1)	LOC

STATE & CITYCURRENT APPROACH
CAPABILITY OR MLS RUNWAYNEW JERSEY

Atlantic City/Bader - AIY (1)	VOR
Caldwell - CDW (6)	NDB
Cape May - WWD (5)(1)	LOC
Newark - EWR (9)	MLS Rwy 29; 11
Teterboro - TEB (9)	MLS Rwy 1; 19 or 24

NEW MEXICO

Alamogordo - ALM (1)(4)	VOR
Clovis - CVN (1)(4)	LOC
Gallup - GUP (1)(4)	LOC
Silver City - SVC (1)(4)	LOC/DME

NEW YORK

Brookhaven - 1N1 (6)	VOR
Ogdenburg - OGS (1)(4)	LOC
Oneonta - N66 (4)	LOC
New York - JFK (9)	MLS Rwy 13R
New York - LGA (9)	MLS Rwy 13 (If MLS can provide increased capacity by reducing interaction with TEB traffic)

NORTH CAROLINA

Greenville - PGV (4)	SDF
New Bern - EWN (1)(4)	LOC

OHIO

Akron/Fulton - AKR (3)	LOC
Dayton General - MGY (6)	LOC
Toledo/Metcalf - TDZ (6)	VOR/DME

OKLAHOMA

Enid - WDG (1)(4)	LOC
McAlester - MLC (1)	LOC
Ponca City - PNC (1)	LOC
Stillwater - SWO (1)	VOR
Tulsa/Jones - RVS (6)	VOR

PENNSYLVANIA

Pittsburgh - PIT (9)	MLS Rwy 14; 28C
Philadelphia - PHL (9)	Rwy 17

RHODE ISLAND

Newport - 2B4 (5)	LOC
Westerly - WST (4)	LOC

STATE & CITYCURRENT APPROACH
CAPABILITY OR MLS RUNWAYSOUTH CAROLINA

Hilton Head - 49J (4)

RNAV

SOUTH DAKOTA

Brookings - BKX (1)(4)

VOR

Mitchell - MHE (1)(4)

VOR

TENNESSEE

Clarksville - CKV (1)(4)

LOC

Knoxville/Downtown - DKX (3)

LOC

TEXAS

Brownwood - BWD (1)(4)

LOC

Houston/David Wayne Hooks - DWH (2)

LOC/DME

Houston - IAH (9)

MLS Rwy; 14R/32L

McKinney - TKI (6)

VOR/DME-A

Paris - PRX (1)(4)

VOR

UTAH

Cedar City - CDC (6)(5)

VOR

Logan - LGU (1)(4)

VOR

Moab - CNY (1)

VOR/DME

Salt Lake City Muni - U42 (2)(3)

ASR Only

St. George - SGU (1)(4)

VOR/DME

Vernal - VEL (1)(4)

VOR

VERMONT

Montpelier - MPV (1)

LOC

Rutland - RUT (1)

LDA

Springfield - VSF (6)

LOC

VIRGINIA

Danville - DAN (1)(4)

LOC

Roanoke - ROA (7)(9)

MLS Rwy 05 (LDA with glideslope)

WASHINGTON

Burlington/Mt. Vernon - 75S (4)

None

Pullman - PUW (1)

VOR

Renton - RNT (6)

NDB & RNAV

Spokane/Felts - SFF (6)

VOR

Wenatchee - EAT (5)(1)

VOR-A

WEST VIRGINIA

Clarksburg - CKB (7)

MLS Rwy 21 (Restricted ILS)

Elkins - EKN (1)

LDA-C

Greenbriar - SSU (1)

VOR-A

STATE & CITYCURRENT APPROACH
CAPABILITY OR MLS RUNWAYWISCONSIN

Hayward - HYR (1)(4)	VOR/DME
Manitowac - MTW (6)	VOR
Marshfield - MFI (1)(4)	SDF
Sheboygan - SBM (5)	VOR
Wisconsin Rapids - ISW (1)(4)	SDF

WYOMING

Cody - COD (1)(4)	VOR-A
Gillette - GCC (4)	LOC
Laramie - LAR (1)(4)	VOR/DME
Worland - WRL (1)(4)	VOR

ALASKA*

Anaktuvuk Pass - AKP
 Anchorage/Merrill Field - MRI
 Aniak - ANI
 Barrow - BRW
 Delta -
 Dillingham - DLG
 Dutch Harbor - DUT
 Galena - GAL
 Homer - HOM
 Kenai - ENA
 Kotzebue - OTZ
 McGrath - MDG
 Nome - OME
 Northway - ORT
 Pok -
 Port Heidon - PTH
 Seward - SWD
 Sparevohn -
 Vethul -
 Deadhorse-

* From a list submitted by the Alaska Air Carriers Association

LETTER FROM JOHN O'BRIEN, AIR LINE PILOTS ASSOCIATION, ET AL.

The Honorable Michael J. Fenello
Acting Administrator
Federal Aviation Administration
800 Independence Avenue, S.W.
Washington, D.C. 20591

February 24, 1984

Dear Mr. Fenello:

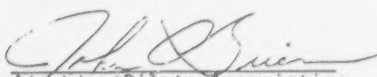
We would like to bring to your attention a matter that could significantly improve the safety and utility of the nation's air transportation system.

The abrupt discontinuance of ILS installations and the gradual phasing-in of the MLS will force airports that are now qualified for their first ILS to wait until an MLS is available. This could take up to ten years. The nation's air transportation system cannot wait this long for the increased safety, utility and capacity that new precision/localizer approaches bring. In the short term, the initial installation of MLS should not be expected to result in the same benefits that an ILS could offer. This is because most of the nation's aircraft are not yet equipped with MLS receivers.

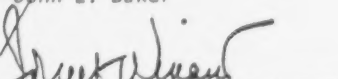
Attachment 1 lists those airports that had previously qualified for a full or partial ILS, have no other ILS approach, and were dropped from the ILS installation list. We recommend that the FAA reprogram ILS's purchased to replace tube-type ILS equipment and furnish a new ILS to those airports in Attachment 1, provided these airports still meet normal ILS establishment criteria.

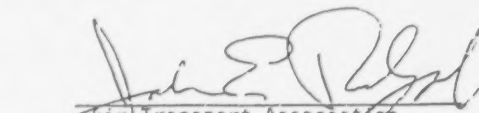
By using ILS equipment that has already been contracted, these airports can receive a new ILS promptly and with minimum FAA expenditures. By reprogramming ILS's only to those airports that had their first ILS cancelled, over one hundred new ILS's will still be available to replace tube-type equipment as originally-planned.

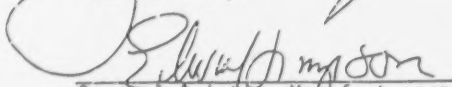
While this recommendation does not fill all of the nation's needs for new approaches, it is a significant step that solves some near term problems.

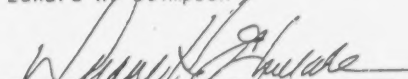

Air Line Pilots Association
John O'Brien


Aircraft Owners & Pilots
Association
John L. Baker


National Business Aircraft
Association
John H. Winant


Air Transport Association
John E. Ralph


General Aviation Manufacturers
Association
Edward W. Stimpson


Regional Airline Association
Duane H. Ekedahl

Attachment 1
Airports to Receive Reprogrammed ILS

<u>State</u>	<u>Location</u>	<u>Runway</u>	<u>Requirements</u>
AL	Selma	32	Localizer
AR	West Memphis	17	Full ILS
CA	Eureka	11	Localizer
CA	Manmoth Lakes	27	Localizer
CA	Red Bluff	33	Full ILS
FL	Marianna	36R	Localizer
GA	Athens	09	Full ILS
GA	Augusta Daniel	10	Localizer
GA	Lawrenceville	25	Localizer
IA	Iowa City	35	Localizer
IL	Waukegan	23	Glide Slope, OM/DME
IN	Valparaiso	27	Glide Slope, OM/DME
KS	Dodge City	32	Localizer
KY	London	05	Full ILS
MA	Beverly	16	Glide Slope, OM/DME
ME	Waterville	05	Glide Slope, OM/DME
MI	Fremont	18	Localizer
MI	Manistee	27	Full ILS
MI	Port Huron	04	Full ILS
NC	Monroe	05	Full ILS
NE	Chadron	02	Localizer
NE	Hastings	14	Localizer
NE	McCook	12	Localizer
NH	Laconia	08	Glide Slope, OM/DME
NJ	Caldwell	22	Full ILS
NV	Ely	18	Full ILS
NV	Henderson	36	Full ILS
NY	Brookhaven	24	Full ILS
OH	Dayton General	20	Glide Slope, OM/DME
OH	Toledo Metcalf	32	Localizer
OK	Tulsa-Jones	36L	Full ILS
TX	McKinney	35	Full ILS
UT	Cedar City	20	Full ILS
VT	Springfield	05	Glide Slope, OM/DME
WA	Renton	15	Localizer
WA	Spokane Felts	21R	Localizer
WI	Manitowac	17	Full ILS

Note: Locations requiring Glide Slope, OM/DME already have a localizer installed.

STATEMENT OF JOHN H. WINANT

I am John H. Winant, President of the National Business Aircraft Association, Inc. I appreciate the opportunity of appearing today and am honored that I speak not only for NBAA, but express the shared views of 12 major aviation organizations. They are:

Aerospace Industries Association
Air Traffic Control Association
Air Transport Association of America
Air Line Pilots Association
Airport Operators Council International
American Association of Airport Executives
General Aviation Manufacturers Association
Helicopter Association International
National Aeronautic Association
National Air Transportation Association
National Business Aircraft Association
Regional Airline Association

Many of these organizations are presenting detailed individual statements at these hearings. Nevertheless, we feel as a group that there is a need for us to join in one statement emphasizing fundamental common positions which derive from deep common concern.

The strongest bond we share is our grave concern that the great promise contained in landmark aviation legislation enacted in 1982 will not be fulfilled. At the outset, we wish to emphasize that we all share with the FAA a mutual commitment to safety as a matter of highest priority in air transportation.

Failure to implement the programs called for in the 1982 Airport and Airway Development Act will in our view lead inevitably to a crisis situation in which the capacity of the nation's airport-airway system cannot accommodate the transportation needs of the public. Regrettably, the capacity of the air traffic control system is already inadequate to meet present needs.

The 1982 Act was a major legislative accomplishment, representing

an historic agreement between the Administration, the Congress and the users of the nation's airport-airway system. The Act set long range goals for major upgrading and improvement of the air traffic control system, as spelled out in the National Airspace System Plan (NASP) for important airport development projects and other safety and capacity-related improvements.

The Act also established a set of increased taxes on users of the system, taxes calculated to produce the revenues needed to pay for the authorized programs. In all ways the 1982 law was an event of great importance and imagination, marrying a vast capital investment program to funding through a dedicated trust fund whose revenues would come wholly from those who would use the system.

The programs authorized in the 1982 Act fell victim last year to pressures aimed at producing a slightly less imbalanced Federal budget. Under threat of a Presidential veto, the funds authorized by the Act were drastically curtailed in the Fiscal 1984 appropriations process. As a result, the upgrading of the development programs did not materialize and numerous planned improvements were deferred.

This year the Administration has asked for appropriations which would carry out the needed programs at or very near the authorized levels. We generally endorse the FAA budget request and urge approval of FY 1985 Appropriations to provide:

- For the facilities and equipment account, most of which is directly related to the NASP effort, \$1.657 billion.
- For the airport improvement program, \$987 million.
- For the underlying research and development programs, \$269 million.

These proposals total \$2.913 billion, slightly less than the \$2.974 billion projected to flow into the Aviation Trust Fund in FY 1985 through user taxes.

Thus, the money is available. The needs exist. The programs for spending these sums are in place. They are logical, well-planned programs which have the full support of these 12 organizations and epitomize

the "pay-as-you-go" concept so prevalent in discussing next year's budget. Modernization will bring our air transportation system out of the teletype and vacuum tube technology of the 1950's and 1960's and into the microchip and real-time communications capabilities of the 1980's.

The fact that we have come before you today to present this statement bespeaks the seriousness with which we view the current situation.

Expansion of our nation's air transportation system is essential for continued national economic growth and vitality. Special emphases on safety-related projects are required as is increased capacity. We ask that this subcommittee advance our nation's airport and airways system by appropriating funds consistent with the fully authorized amounts.

If the full, requested amounts are not appropriated, serious consequences will result:

- The needs of this nation for a highly efficient, unconstrained air traffic control system will not be met.
- There will be a growing shortfall of needed runway, taxiway and terminal facilities at airports across the nation.
- There will be inevitable, strong pressures to reduce or eliminate aviation user taxes, pressures based on the reasonable argument that dedicated tax revenues should not be used as manipulative tools in the budget process, but rather for the purposes intended.
- Further, the concept, vigorously supported by the Administration, that users should pay a reasonable share of the costs of Federally-provided transportation systems will have been dealt a crippling, perhaps fatal, blow.

We look forward to working with you so that we may each take a responsible part in ensuring that the overwhelming need for enhanced safety and capacity are fully met in the years ahead. Thank you for the opportunity to present this statement.

USER FEES COULD BE EXEMPT FROM BUDGET FREEZE

Senator ANDREWS. Thank you very much.

As you know, we are in a budget crunch, and I serve on the Budget Committee as well as the Appropriations Committee.

Mr. WINANT. Yes, sir.

Senator ANDREWS. We have got to get these deficits down. Many of the suggestions, of course, involve an across the board freeze. Some of us question the wisdom of across the board freezes applying to funds that are taxpayer specifically financed, or user fee financed, which is totally different. We got into quite a fight over the Coast Guard and boating safety funds that are directly assessed to the users.

Would your organization support, one, a budget freeze in the interest of getting the deficit down, provided that user fees were exempted from a budget freeze?

Mr. WINANT. I feel absolutely certain that I can speak for every one of these organizations in answering yes to that question, sir.

Senator ANDREWS. So that the part of the funding that came from the general revenues of the Treasury would in essence be frozen, but the part of the funding that comes from user fees would be responsive to those user fees, since in essence they are paying directly for it.

Mr. WINANT. We believe that would be the case, and we would have no objection to some string being tied, even, to the kind of relief, for example the assurance that at least 80 or 90 percent or some large percent of the moneys flowing into the funds came solely from user taxes and from no other source.

Senator ANDREWS. Thank you for your candor, for an excellent statement, and for bringing your colleagues along to attest to their support of your statement. Their names will all appear in the record, as they have been here and they have appeared in support of your statement.

Mr. WINANT. Thank you very much, Mr. Chairman.

Senator ANDREWS. We appreciate your appearance.

Our next witness is Mr. John Baker of the Aircraft Owners and Pilots Association.

AIRCRAFT OWNERS AND PILOTS ASSOCIATION

STATEMENT OF JOHN L. BAKER, PRESIDENT

Mr. BAKER. Thank you, Mr. Chairman.

We have five issues that we would like to address. I will bypass some of the more important ones, like the \$1.8 million request for a study to look at the facial features of airline stewardesses. The five that we would like to discuss, obviously, are MLS, FSS modernization, operations and maintenance funding, system engineering, and integration contracts with the host computer.

We had shot originally to find 1 billion dollars' worth of cuts in this particular proposal. We found \$833 million, Mr. Chairman. By way of background, I had the pleasure of serving in the FAA as an Assistant Administrator at the time most of these programs were developed, the FSS modernization, the MLS, and the ADAP program.

Regarding MLS, we have not heard to date one legitimate justification for this draconian decision, which throws a staggering cost burden on the user, particularly the general aviation user, and buys absolutely nothing for us.

An example: Based on FAA statistics, there are 138,000 general aviation aircraft which have ILS receivers on board. If we have to throw those away or duplicate them, which is really the case, to use MLS transmitters installed at general aviation airports, at the current cost the indirect tax on the user would be \$2.6 billion.

If you assume that the cost of those receivers will come down by one-half, then obviously the tax is \$1.3 billion, and it buys nothing for us either in safety or in utility over the existing ILS systems. Beyond that, as the States testified, it will push out the installation of precision approaches to a 15-year period, whereas FAA had indicated they could meet all of the precision approach needs with ILS in the next 2 years.

One of the reasons, obviously, that we have a very strong position on this is we represent 170,000 aircraft owners, as well as 270,000 pilots, out of the total fleet of 209,000 aircraft. The thing that offends us on this is the high-handed manner in which it has been implemented. It is a "let them eat cake" mentality.

When we complained that the general aviation user, since most of these installations will be at general aviation airports, would be required to buy the equipment and not gain anything from it, we were told: Well, if you do not want to fly the approaches do not buy the equipment, which means then that the MLS will be going in at the general aviation airports for a very limited number of users. We think that makes absolutely no sense. The steep approach, the segmented approach, the curved approach, all the good things that MLS does, only has a utility, obviously, at the hub airports.

FLIGHT SERVICE STATION MODERNIZATION

Regarding the FSS modernization, we applaud what this committee has done. We urge you to continue the position which you have taken. FAA came in and testified that they talked to 83 pilots regarding the Bridgeport consolidation and none of them found a problem with it.

We think their sample was somewhat too small. We surveyed every fifth pilot in the three States. We found 493 pilots, 28 percent, said it was worse than what they had before. Another 744 said that it was too early to tell, that the heavy peak flying season had not yet hit.

In talking to NAATS, the specialists, on flight service stations, they indicated that the demand at Millville in New Jersey and up in New Hampshire and Vermont has gone up dramatically, as people from those three States are calling outside of their own area to get FSS services.

In terms of cost savings, obviously the FAA has wildly overstated what it will generate by modernizing. We do not oppose the modernization. We oppose the destruction of the system before there is comparable or better service. And again, as I say, we applaud what the committee has done.

Regarding O&M, the operation and maintenance money, if you will recall, in this particular budget there is a \$500 million windfall for the administration in the sense that there is \$500 million more requested for O&M than is authorized under the law.

This number came about as a result of a meeting with Mr. Stockman by some of the user groups, who said—Stockman said, we'll support full funding if you'll support a \$500 million rape of the trust fund. We opposed that. We believe this committee should enforce the law and give them only what the law allows.

Regarding system integration, the system engineering and integration contractor, Martin Marietta, I think this demonstrates that the defense contractors can fair well in this administration under both the military side of the thing and the civil side.

We are going to pay them \$685 million to look over the FAA's shoulder over the course of this program. Their appropriation for this year, almost \$50 million, is as much as the headquarters account is for the FAA, and it seems like one of the two is a surplus. We either ought to have Martin Marietta run it or the FAA run it, but we do not need both at that cost level.

The last item of major significance is the host computer, for which they are asking \$244 million. They have not defined the specs yet at this point. We urge the committee at least to let it slip into the 1986 appropriation, which would be a 2-month delay, hardly catastrophic in light of the fact that most of this program is running 2 or 3 years behind schedule.

There is one single item that does bother us, and that is the \$1.8 million earmarked for a tower for Fayetteville, Ark. They have 19 based aircraft currently. We think that is a travesty. They have a tower there currently, and we think that that \$1.8 million could be used for airports or other needed requirements.

We do strongly support ATA's urge that there be full staffing for the air traffic side, because general aviation will be the victim if indeed the capacity is not adequate to handle the demand.

Thank you, Mr. Chairman.

Senator ANDREWS. Thank you very much for an excellent statement.

[The statement of Mr. Baker follows:]

STATEMENT OF JOHN L. BAKER

The Aircraft Owners and Pilots Association represents the aviation interests of more than 265,000 individuals who own and fly general aviation aircraft for both business and personal transportation. AOPA's members have a deep interest in the Federal Aviation Administration and its programs. They pay direct federal excise taxes. Our members and their households also support FAA programs as airline passengers on just under two million airline flights last year.

GENERAL

We think you can cut the FAA budget nearly \$1 billion with no impact on the agency's modernization program. We have identified \$833 million in specific cuts as explained below. Other cuts can be made, but we were unable to determine them specifically because of inadequate justification explanations from the FAA.

AOPA has made every effort to make known our position on the National Airspace System Plan. It is a collection of oftentimes unrelated programs held up as a system. Many of the programs have great merit; many are old and unusable ideas given status as a part of a "plan." We cautioned the Congress two years ago not to hand FAA a blank check on an account built with airspace users' deposits. Now that inevitable delays are becoming obvious, this committee should give FAA specific direction on certain portions of the Plan.

AOPA's review of the FAA budget indicates that considerable reductions can be made in the facilities and equipment account. The doubling of the request over the current fiscal year is inappropriate.

PRECISION APPROACH LANDING AIDS (ILS/MLS)

On the subject of precision approach landing aids, FAA has misled both Congress and the flying public. In the last two years, FAA has carefully orchestrated an effort to change the standards of precision approach aids from the time-tested Instrument Landing System (ILS) to the much-touted Microwave Landing System (MLS). The facts are that the FAA has an "invented-here-interest" in defending the time-referenced, scanning beam MLS because of years of hard fought battles in the international arena. Further, FAA has done a poor job of designing an appropriate transition program to accommodate the use of MLS where ILS cannot be installed for technical reasons.

The \$42 million in the budget request for microwave landing systems is completely wasteful. In fact, because funding the MLS will have the concurrent effect of depriving airports of needed instrument landing systems while installing MLS transmitters that will never be used, the \$42 million will be counter-productive to aviation safety and efficiency. We suggest the committee continue to fund the ILS system which can be done for a tiny fraction of MLS both in current and future costs.

There have been numerous claims made as to the "aviation community acceptance" of the MLS and the FAA's transition plans. Many organizations have aligned themselves with the FAA program. However, AOPA, which represents the largest number of airport users and consumers of aviation goods and products, has considerable concerns with the program.

The FAA's "hub-and-spoke" concept of implementation is based upon service by commuter and regional airlines. While it has been suggested that this would improve safety, the facts are that it is purely an economic incentive. And, furthermore, this could be accomplished by ILS with no additional costs to the commuter airlines since they are already equipped for ILS approaches.

There is nothing unsafe about the current approach facilities at these airports. However, improved landing aids would permit landings when cloud

bases and visibility conditions are lower, thus improving the probability that a particular trip would be completed.

Business jet operators are interested in MLS for its alleged airport capacity improvements in the major metropolitan areas where current landing approaches of adjacent airports interfere with one another. With promises of curved approaches and other fancy gadgetry, MLS advocates believe that these landing patterns can be modified to eliminate the interference. While some operators may have specific justification for purchasing airborne equipment to assist in the movement of their aircraft, all aviation tax contributors are footing the bill for the ground portion of this system.

The individual aviation consumer, particularly the non-business flyer, will not have much motivation to equip with an additional radio that serves only one function--approach guidance for the last five miles of flight to a handful of runways in the entire country. This "single purpose box" might typically be used only a few times a year. This is a financial burden that most aircraft owners cannot afford.

The FAA has yet to explain to anyone how the MLS will provide for increased safety. We should be reminded that in most cases the advantage of being able to site MLS in difficult terrain situations is not the motivating factor. If it were, AOPA would be more likely to agree with the MLS program. Indeed, AOPA is on record as favoring MLS implementation in the special applications where necessary for terrain and obstacle clearance.

FAA continues to claim that an increase in airport capacity will result from MLS. Landing aids do not increase airport capacity--more runways do. They claim increased ATC flexibility. This may be true in major metropolitan areas where curved approaches could be designed to eliminate current interfering approach paths at adjacent airports. However, this advantage will apply at very few of the 1250 locations proposed by the FAA.

FAA claims reduced community noise. Again, this is a fantasy-land solution that may be applicable in a handful of locations and only if aircraft are equipped with advanced MLS receivers including precision distance measuring equipment (P/DME) and on-board area navigation computers to fly such approaches. Such equipment will be far beyond the reach of the typical general aviation aircraft owner.

FAA claims a reduction in ATC delays. Again, this would only be applicable where curved approach MLS was installed in areas of conflicting airport airspace and the majority of the fleet using those airports during IFR conditions were equipped with advanced MLS.

MLS serves as an example of why AOPA believes it might be best to plan for the future rather than live in the present. The original National Airspace System Plan published more than two years ago, indicated a funding schedule for the initial purchases of MLS ground based equipment. With the request for the funds for 60 units in the current budget, FAA is now a full three years behind the original funding/procurement/installation schedule. It makes one wonder how much further the implementation schedule will be eventually slipped. Like the FAA's drawn out FSS modernization program, we wonder whether a private sector replacement, in this case, satellite guidance, will not make obsolete FAA's program prior to its completion.

There has also been considerable misinformation on the cost of MLS, both ground units and avionics. As recently as six months ago, the FAA quoted a price for MLS ground equipment of \$325,000, of which \$225,000 was to be the equipment and \$100,000 for installation. Simple math, however, tells us that the recently contracted for 172 units have an average price of \$527,000. The 60 units proposed for installation in the current budget request price out at \$708,000.

Where will the estimate increases end?

The range of avionics cost estimates is even wider. No one really knows at this point. The units purchased by FAA for evaluation by commuter airlines, while admittedly being individually built units, cost \$125,000. While we have continued to ask the avionics manufacturers if they intend to get into the business of making lower cost symbol MLS receivers for the less sophisticated end of the market, the responses continued to be, "We'll see what the market looks like."

When asked for "guesstimates" as to what the costs might be, most are claiming about \$9-\$10,000. A large percentage of the general aviation aircraft that are operating IFR in the ATC system don't even value twice that amount. FAA continues to hang onto its earlier claims that simple MLS receivers will be able to be purchased for \$2,500-\$3,000 in 1980 money. Even this amount -- which would provide a box with no curved approach capability, no precision DME, or sophisticated multiple glidepath capability -- in other words, the same guidance we get from ILS with our current equipment -- would be out of the question for a large majority of the general aviation fleet.

FLIGHT SERVICE STATIONS

We have testified to this committee on several occasions in opposition to the FAA's plan to reduce its existing flight service station network to rubble. The leadership you have exercised on this issue is deeply appreciated by pilots throughout the nation.

We continue to urge the committee to block the FAA's flight service station consolidation plans until it can show in some tangible fashion that its proposed concept can be implemented in a way that will provide improved flight service station services to aviation. We suggest that the committee cut \$60 million from the FAA budget request which it intends to use to close flight service stations. \$40 million needs to be cut from F&E and \$20 million from the operations account.

To summarize our views on flight service stations, we submit the following:

1. The \$500 million dollars the FAA has plans to spend for flight service station modernization is possibly as much as ten times what it really needs to do the job. The vast majority of the \$500 million dollars is wasted money and the FAA will never receive the return on investment that it has projected.
2. The FAA has constantly backed away from its original commitment to this committee (and to us) to implement a modernized program before closing flight service stations. Today, the modernized program is further in the future than it was a year ago and the flight service stations closings are about to proceed anew. The FAA promised "human relations orientation" to the movement of the FSS personnel. But as late as April 20, FAA still had not provided us with a copy of any service and personnel transition plan for the new Bridgeport facility which opened March 3.
3. The work load projections the FAA has submitted to this committee for its justification for the flight service station proposal continue to be proven invalid and hopelessly optimistic. In 1981, in the first edition of the FAA's National Airspace System Plan, the FAA estimated that FSS flight services would increase from 62 million in 1981 to 70 million 1985 and 84 million in 1990. Now, in its current budget justification, it estimates that 1985 flight services will total only 64 million in 1985. Even this number is highly optimistic since flight services last year only totaled 57 million.

Attached to this testimony is a chart showing the actual total of FAA flight services provided since 1970 along with the five most recent FAA forecasts of this total. It is easy to see that no matter what the starting point is, the FAA can fashion an overly optimistic scenario to justify its policies to you.

4. The FAA has misled the Congress on the annual savings that could be expected from its flight service station plans. Last April, the FAA estimated that it would be able to reduce the annual cost of operating the flight service station system from \$167 million in 1981 to \$161 million in 1985 in constant 1981 dollars. The FAA anticipated a further reduction to \$150 million by 1990 in constant dollars.

However, if we make an assumption of a 4.5% inflation rate over the next year, the FAA will be operating its flight service station in 1985 for only \$148 million 1981 dollars without any modernization or staff reductions whatsoever. The obvious question is: What validity did the FAA's proposed cost savings have when it is achieving those savings many times over by doing nothing?

5. FAA's testimony before this committee indicated that none of the 83 pilots it interviewed recently had a problem with the Boston and Windsor Locks consolidation into the new Bridgeport facility. Perhaps they should have done a more complete survey. AOPA surveyed every fifth pilot in Massachusetts, Rhode Island, and Connecticut. The results as of April 20 were:

Question: Does Bridgeport have equal or better service than your previous flight service station?

YES -- 28% NO -- 28% UNDECIDED -- 44%

APPROPRIATIONS BEYOND AUTHORIZATION

There has been, over the years, an unceasing attempt to raid the aviation trust fund. This effort shows up this year in the Administration's request to be permitted to take more from the trust fund for FAA administrative costs than is permitted by the Airport and Airways Act of 1982. We urge the Congress to maintain the same position it took last year and follow the terms of the authorizing statute.

To allow this illegal raid on the aviation trust fund would simply encourage continuing efforts to rip off the fund for illegal and unnecessary purposes. Our membership probably feels more strongly about this idea than any other item in the budget request. The law is clear, it should be followed.

AVIATION POLICY IN RURAL AREAS

This committee has rightfully expressed continuing concern over the impact of Federal aviation policy on rural areas. Two policies, in which AOPA has a deep interest that coincides with yours, are airport assistance and microwave landing systems.

Airport grants, being based primarily upon number of enplaned passengers, benefit that small handful of airports which serve as hubs to the airlines. This is a system which rewards aeronautical congestion and inefficiency.

For example, a round trip from any East Coast city to Fargo, North Dakota (to choose a city at random) will involve a stop, in Minneapolis possibly, both coming and going. Current policy credits both Fargo and the originating city with a single enplanement. However, Minneapolis gets credit for two enplanements for a passenger who is simply changing planes. This is why Minneapolis International Airport receives more airport money than the entire state of North Dakota.

With regard to ILS, airlines which fly to major airports will continue to be able to fly ILS approaches since ILS is required by international treaty. On the other hand, an aircraft serving a smaller community would have to wait as much as a decade for a MLS instrument approach during which time it is already equipped to fly ILS approaches. When MLS is installed the aircraft operator will have to pay \$10,000 or more for each plane for an additional radio receiver.

The final irony is that ILS costs the government only half what MLS costs so that both Uncle Sam and the aircraft operator are going to have to pay more for less.

HOST COMPUTER

The FAA proposes to contract for its host computer at the very end of fiscal year 1985. As the committee knows, the host computer design is not completed nor is the research needed to support the contract completed.

The FAA is requesting \$244.5 million for the host computer project in fiscal year 1985. We strongly suggest that the committee not endorse this recommendation and require that the FAA delay its contract award a month or two into fiscal year 1986.

Such an action would realize a substantial 1985 savings without any impact whatsoever on the national airspace system plan. A delay of two months would be the shortest delay in the history of the plan and a reasonable expectation based on past performance would indicate that the FAA will slip its schedule that much in any event.

AIRPORTS DIVISION STAFFING

The FAA's budget request proudly states that it has reduced its airports staff to the levels in fiscal year 1976. We think the FAA is making a serious mistake in letting airports staffing lapse from authorized levels. We urge the committee to fund two additional people in each airport district office as a means to recover some of what has been lost.

Despite the FAA's greater interest in other areas of its jurisdiction, the Nation's airports are the key to a growing and modernized aviation system.

All the computer power in the world will not accomplish what some additional runways will. We have noticed a need for additional people in this area and hope some can be added to the FAA's request.

SYSTEMS ENGINEERING AND INTEGRATION CONTRACTOR

The FAA has requested about \$50 million to pay to the Martin Marietta Corporation to oversee the manner in which the FAA administers the implementation of the National Airspace System Plan. This is the first down payment which, when added to the nine remaining years, is expected to total nearly three quarters of a billion dollars and appears excessive.

The National Airspace System Program plan has already been developed, designed and submitted to the Congress at least three times formally. By the time fiscal year 1985 begins nearly 20% of the program will have been funded and contracted for. In each of the years of the Martin Marietta contract, that company will receive more for overseeing the FAA's administration of the development of the National Airspace System Plan than the FAA will spend on administering the development of it. Martin Marietta does not now have the expertise in airspace policy and planning and will undoubtedly have to recruit its staff from the FAA and other aviation organizations.

Three quarters of a billion is too much for an agency to pay an outside consulting firm to oversee it. We urge the committee to cut this entire amount and eliminate this entire boondoggle.

TRUST FUND TRANSFERS TO THE DEPARTMENT OF COMMERCE

The Airport and Airways Act of 1982, which authorizes the programs to be funded from the aviation trust fund and the taxes to fill its coffers, is very explicit in the language it uses to permit a payment from the Federal Aviation Administration to the National Oceanic and Atmospheric Administration for the aviation weather services undertaken by NOAA. The law makes it very clear that the transfer is not authorized as a separate appropriation, but only as a transfer from the FAA to NOAA from funds appropriated to the FAA from the trust fund for its operations account.

The exact language of the law is as follows: SEC. 506. Airway Improvement Program. (d) Weather Services.--The Secretary is authorized to reimburse the National Oceanic and Atmospheric Administration from the funds authorized in subsection (c) for fiscal years beginning after September 30, 1982, for the cost of providing the federal aviation administration with weather reporting services. (emphasis added)

Last year no funds were appropriated to the FAA for operations and therefore no funds were available for transfer to the National Oceanic and Atmospheric Administration. This year the administration again is seeking to take an extra \$27 million from the trust fund for NOAA. This request is contrary to the authorizing statute and should be rejected.

In fiscal 1983, this committee rejected the administration's request for a transfer of funds to NOAA since there is no payment from NOAA to the Federal Aviation Administration for the weather services provided to NOAA. We think the committee should continue to maintain that position, but in any event it should not appropriate trust fund money to NOAA above and beyond the allowable amount for the operations appropriation to the FAA.

TRACON CONSOLIDATION

We feel \$10 million should be cut from the FAA request for its proposal to close all of the Nation's terminal radar control facilities. It plans to move radar controllers from airports, where they are located currently, to the air route traffic control centers under the assumed name of area control facilities.

We oppose the area control facility concept. We do not believe that an air traffic controller should be working airport area traffic from a location that could be as far as two or three hundred miles from the airport he is controlling. He simply cannot have the necessary knowledge of the local airport and its surrounding topography to provide the needed level of service to general aviation aircraft -- particularly those operating under visual flight rules.

This became obvious in the crash near Atlanta, Georgia of an airline aircraft having engine trouble and being vectored by radar from an air route traffic control center. Although a general aviation airport was available to the aircraft, the controller did not have any knowledge of the location of the airport. This is because center controllers are oriented toward en route instrument operations.

REPLACE GOOD EQUIPMENT

The FAA asked to spend more than a quarter of a billion dollars in fiscal year of 1985 simply replacing existing, working equipment of various kinds. We believe the Congress could adopt the maxim, "If it ain't broke, don't fix it," and save a great deal of money. Our suggestion is to appropriate one-quarter (\$69 million) of the FAA's request for replacing good, functional equipment. This would result in a savings of \$207 million. Attached is a complete list of the proposed equipment replacement.

RESEARCH AND DEVELOPMENT

The FAA's research and development budget nearly tripled between fiscal years 1983 and 1984. It stretches credulity to believe any institution can effectively "gear up" that kind of research program level with any hope of developing an effective, goal-oriented research effort. In fact, we are concerned that perhaps research is not really the proper province of the FAA and it is our intention to review FAA's research programs more closely than we have in the past.

It is difficult to determine the FAA's research goals and achievements from its internal documents. We note with both amusement and chagrin its study of the facial structure of airline stewardesses. We urge the committee,

if it chooses not to cut funding for this study, to hold the FAA to its promise to develop a new oxygen mask by fiscal year 1986 that will fit all stewardesses regardless of their facial structure.

Sadly, the FAA is wasting money with continuing alcoholism research when the Federal government maintains two agencies far better equipped to do this work. We suggest the Congress, if it determines a need for this duplicative work, send the appropriation directly to the National Institute on Alcohol Abuse and Alcoholism or to the Biomedical and Behavioral Sciences Division of the National Institute for Occupational Safety and Health.

Host Computer. We recommend funding the full amount requested for this work. In conjunction with this evaluation, we suggest that host acquisition be deferred until fiscal 1986 as mentioned above.

However, we believe that FAA should be required to substantiate to the Congress next Spring during appropriations hearings the validity of the host computer concept. It seems to us a poor judgment to invent and build a new computer just to run, on an interim basis, old air traffic software followed by new air traffic software. The proper course is to take advantage of the growing power of computers with their reduced computational costs to move directly to a more powerful, higher capacity system.

We are unaware of any precedent in any industry for the FAA's decision. If there is justification for the FAA direction then next year's hearings would be a convenient and appropriate time for the FAA to explain its policy.

Sector Suite Prototype. We think \$64 million could be saved by delaying the development of a sector suite prototype until the actual advanced automation program is defined. By building sector suites in advance the FAA will be both limiting its future choices and determining the course of the advanced automation. Neither of these is beneficial.

One of the many choices ahead is the allocation of software between the central computers and the distributed processors associated with the sector suites. Why spend millions and millions on prototypes until this and many other questions are answered?

System engineering and integration. The research and development account where the FAA gets the money for itself to do what Martin Marietta will also be doing. The FAA plans to spend \$26 million for "overall system analysis, engineering, planning and direction" for the National Airspace System Plan. Other similar bits and pieces are already provided throughout the research budget which are unnecessary with a "Systems Engineering and Integration Contractor." The agency should get one or the other, but not both.

DULLES INTERNATIONAL AIRPORT

The Washington Metropolitan Airports account is making a fine profit each year. We think \$2 million of the profit should be committed to building a general aviation parking ramp at Dulles. Additional aircraft parking is needed at the airport and we will be working with you and with the FAA to develop such a facility.

ATTACHMENT 1

FAA PROPOSED REPLACEMENT OF WORKING EQUIPMENT

<u>AMOUNT</u>	<u>DESCRIPTION</u>
\$50,981,000	Radar Microwave Links. Replace existing systems with solid-state equipment. [Justifications, page 133.]
\$57,689,000	Remote Center Air/Ground Signaling/Control (Tone) Equipment. Replace existing tube-type equipment at various unnamed places with solid-state equipment. [139]

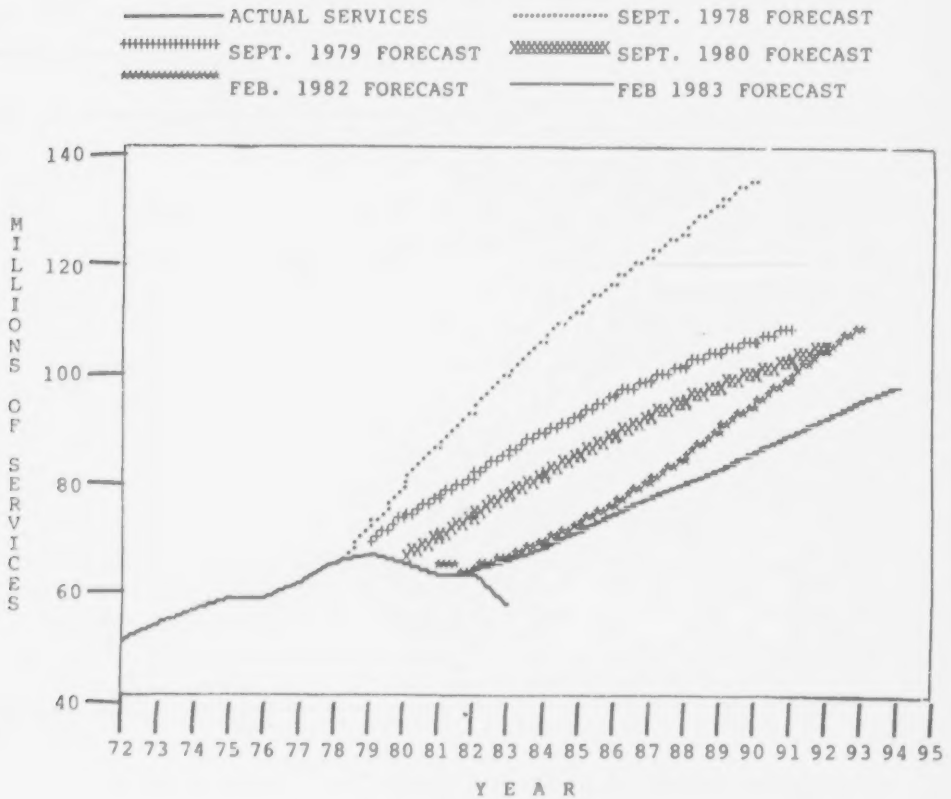
<u>AMOUNT</u>	<u>DESCRIPTION</u>
\$31,700,000	Voice Recorders. Replace electromechanical recorders with "state of the art multichannel" recorders. [148]
\$1,886,400	Digital Time Code Readers. Replace mechanical with digital models. [151]
\$1,668,400	Altimeters. Replace existing aneroid altimeters with digital units.
\$57,500,000	Remote Communications Outlets. Replace existing vacuum-tube and mechanical signaling and tone control equipment with solid-state equipment. [155]
\$27,766,500	Transceivers. Replace obsolete antennas and vacuum-tube transmitters and receivers with "state of the art" antennas and solid-state transmitters and receivers. [156]
\$42,574,900	Non-directional Beacons. Replace tube-type transmitters with solid state systems.
\$1,901,200	Runway Visual Range. Replace solid-state (oops, solid-state doesn't seem to last either) units with replacement units. [167]
\$ 721,400	Visual Approach Aids. Replace units at 10 unnamed locations. [168]
\$7,220,600	Test Equipment. Replace tube-type with solid-state. [172]

ATTACHMENT 2

Other proposed savings not listed above:

<u>Amount</u>	<u>Description</u>
\$30,000,000	Delay funding for ASDE, surveillance radar.
\$20,000,000	Delay replacement of TPX-42 with solid-state.
\$ 5,500,000	Do not fund telecommunication increase until experience has shown the level of increase.
\$37,200,000	Delete funding for national emergency communications system and determine if it is necessary and/or should it be a Defense Department item.
\$ 2,300,000	Delay retrofit of doppler VOR.
\$11,000,000	Delete amounts for frangible approach lights.
\$ 4,600,000	Cancel upgrade of RVV to RVR.
\$ 7,700,000	Eliminate the navaid contingency fund.
\$ 900,000	Fund a single MLS airborne receive instead of eight.
\$ 6,700,000	Delete research projects with little justification such as runway management study at Chicago O'Hare.
\$ 4,500,000	Delay programs on aircraft separation - MOPS, CAS, TCAS.
\$ 1,600,000	Delay study on en route control conflict alert resolution.
\$ 2,000,000	Delete research on GPS and MLS.

TOTAL FLIGHT SERVICES
FAA FLIGHT SERVICE STATIONS
ACTUAL 1972 - 1983 PLUS FORECASTS



EDISON ELECTRIC INSTITUTE

STATEMENT OF FREDERICK L. WEBBER, EXECUTIVE VICE PRESIDENT

Senator ANDREWS. Our next witness, Mr. Frederick Webber, is executive vice president of the Edison Electric Institute. Fred, welcome to the subcommittee. We would be glad to hear your statement.

I am going to turn the chair over to our valued member on the subcommittee, the Senator from New York, Senator D'Amato.

Mr. WEBBER. Good morning, Mr. Chairman.

I am just going to read five paragraphs which summarize my statement. This is in the interest of time, and again I guess I can assume that my full statement will be submitted for the record.

Senator D'AMATO [presiding]. Your statement will be put in the record as if read in its entirety.

Mr. WEBBER. Thank you, sir.

The Interstate Commerce Commission has abdicated its responsibility to protect the captive rail shipper, as required under the Staggers Rail Act of 1980.

Members of the ICC, in a series of rulemakings, propose to establish a process which authorizes the railroads to exercise unrestrained monopoly power over captive coal rates.

Unless Congress addresses this consumer issue, the stage is set for an unjustified transfer of billions of dollars from the beleaguered consumer to the prospering railroads. A couple of examples. Burlington Northern, which is receiving excellent financial ratings, had available sufficient cash reserves last year to purchase El Paso Natural Gas for \$600 million; CSX purchased Texas Gas Resources for more than \$1 billion; and Norfolk Southern has nearly \$1 billion in cash it has not yet decided where to invest.

The ICC's proposed Uniform Rail Costing System will lead to inaccurate cost determinations and even greater rate increases before the Commission has jurisdiction to determine if the particular rate is reasonable. Adoption of URCS at this time is premature until further analysis, refinement, verification, and testing demonstrate its reliable use.

The subcommittee should prohibit the expenditure of funds by the ICC to publish or adopt URCS or to use it in any regulatory proceeding before the Commission until the Railroad Accounting Principles Board is given an opportunity to develop its cost accounting principles. The Commission shall implement and enforce the principles established by the board.

That completes my summary statement, Mr. Chairman.

By the way, I am reminded, Mr. Chairman, that you chair the subcommittee that would fund the board and, as you know, it has been our proposal that that board be funded with a total of \$1 million, and we hope that you would approve that request.

[The statement of Mr. Webber follows:]

STATEMENT OF FREDERICK L. WEBBER

Mr. Chairman, my name is Fred Webber. I am the Executive Vice President of the Edison Electric Institute ("EEI"). EEI is the national association of the investor-owned electric utility industry. Its member companies provide 76% of all electric power purchased in the United States.

More importantly, however, I am here on behalf of consumers of electricity, your constituents. Electric utilities pay railroads approximately \$5 billion per year to transport coal used to produce electricity. On a national basis, railroad freight rates now represent a substantial portion of the delivered price of this coal, in some cases, as high as 80 percent. Consumers of electricity pay for these transportation costs in their electricity rates. It is essential, therefore, that such rates be fair and reasonable.

My message is clear and simple -- the Congress must address the Interstate Commerce Commission's failure to implement the Staggers Rail Act as intended by the Legislative Branch in order to assure reasonable rates. Specifically, the utility industry contends the following:

1. The ICC improperly interprets the Staggers Rail Act to require the achievement of "revenue adequacy" by the railroads above all the numerous other goals of the Act.
2. The ICC's "revenue adequacy" standard is distorted and seriously understates the financial health of the nation's coal-hauling railroads.
3. The ICC proposes to permit the railroads to impose monopoly pricing on captive coal traffic and thus exact enormous and inequitable revenues from this country's consumers of electricity.
4. The Uniform Rail Costing System (URCS) currently proposed by the ICC and expected to be implemented in the near future is inadequate and should be postponed

until its accuracy and validity are verified by the Railroad Accounting Principles Board.

During congressional debate and deliberations leading up to the passage of the Staggers Rail Act of 1980, Congress concluded that many shippers, particularly coal shippers, are captive to individual railroads and have no realistic transportation alternative. Therefore, unless rates for captive transportation are regulated by the Interstate Commerce Commission, shippers must pay whatever rates the railroads decide to charge. To protect such shippers, the Congress, through the Staggers Rail Act, continued ICC regulation of rail rates for captive traffic while it deregulated rail rates for competitive traffic.

Approximately 75 percent of the coal tonnage hauled by our nation's railroads during 1982 originated on three railroad systems: the CSX, 31.3%; Norfolk Southern, 22%; and Burlington Northern, 21.2%. In addition, through on-going mergers sanctioned by the ICC, the railroad industry is becoming concentrated in the hands of a few "super-railroads" in this country. The effect is an erosion of the forces of competition envisioned by the Congress to minimize the need for regulation. Therefore, the maintenance of effective regulation of captive traffic is even more essential today.

Mr. Chairman, the ICC has abdicated its responsibility to protect the captive coal shipper. Instead, members of the Commission, in a series of rulemakings, propose to establish a process which authorizes the railroads to exercise virtually unrestrained monopoly power over captive coal rates.

Unless the Congress addresses this consumer issue, the stage has been neatly prepared for an unjustified transfer of billions of dollars from the pockets of the beleaguered consumer to the coffers of the prospering railroads.

For example, the ICC's proposed decision, "Maximum Coal Rates, Nationwide," would allow the railroads to increase rail rates for coal movements by 15 percent per year, above inflation,

until they reached the point where it would be cheaper for a shipper to build its own railroad. If implemented, such increases in rates permitted by this egregious decision translate into a doubling of rates within five years, a tripling in eight and quadrupling in ten. Given the fact that the railroads earned \$5 billion in revenues from hauling electric utility coal in 1982, this decision could have a monumental impact upon your constituents.

It is important to emphasize that coal already contributes a sizeable share to railroad operating profits. Nationally, coal contributes the most tonnage, revenue and profit to the railroads of any commodity. The railroads fully acknowledge the importance of coal. The Director of Issue Development for the Association of American Railroads stated last year:

"Coal represents our past, our present and our future. It is the one commodity that has kept us afloat during this prolonged recession, and it is the one commodity that will help vault us into the 21st Century."

In other critical proceedings to implement the Staggers Rail Act, the Commission also has ignored the intent of Congress. Moreover, the decisions are often devoid of any rationale. Since 1981, the ICC has decided repeatedly that all the major coal hauling railroads in this country are not earning "adequate revenues." It has made this determination the centerpiece of its other actions which are designed to provide the railroads with unrestrained pricing capability. The methodology developed by the ICC to assess the financial health of railroads seriously overestimates railroad expenses and underestimates revenues. The overall effect is to make the railroads appear to be in relatively poor financial health. The myth that the railroads are still suffering from the "Penn-Central syndrome" must be dispelled.

However, if the ICC were truly interested in balancing the needs of the railroads with those of the consumer, as required under the Act, it would use accepted accounting methodologies

which would demonstrate that the railroads, in general, are performing better than the ICC portrays.

In fact, two major holding companies, Burlington Northern, Inc. and CSX, whose primary source of revenue is their railroad subsidiaries, are awash in cash and are receiving excellent financial ratings. Last year the Burlington Northern purchased El Paso Natural Gas for \$600 million and CSX purchased Texas Gas Resources for more than \$1 billion. The Norfolk Southern Railroad has nearly \$1 billion in cash it hasn't decided where to invest yet. The Association of American Railroads admitted last year that:

"Despite an uncooperative economy, rail equities have tripled in market value. Obviously, America's freight railroads are a growth industry."

Since 1976, the Standard and Poor's Rail Index has performed better than the 500 Industrial Index by a substantial margin.

The Edison Electric Institute agrees with the National Association of State Utility Regulators (NARUC) that the ICC should remedy these deficiencies by determining "revenue adequacy" on the basis of several realistic indicators of financial health, such as the embedded cost of debt, standard original cost depreciation accounting and other measures commonly applied by regulators.

As I indicated earlier, the ICC also intends to adopt its controversial Uniform Rail Costing System (URCS) in the near future. Any adoption of URCS at this time is premature until further analysis, refinement, verification, and testing of URCS demonstrate that reliable use can be made of the system.

As currently proposed by the ICC, URCS would make many significant changes in the method of determining railroad costs. Experts in rail costing have testified that URCS contains several errors which, if uncorrected, will lead to inaccurate cost determinations. Due to the fact that several critical provisions of the Act rely on variable cost determinations, shippers and

railroads, alike, have voiced concern that the premature adoption of URCS in its present form may have serious consequences. One effect is that rail rates could be increased even further, in many instances, by the railroads before the ICC would have jurisdiction to ascertain whether or not the rate was "reasonable."

Review of URCS by an independent expert body, specifically the Railroad Accounting Principles Board, should occur before it is implemented. In fact, the Conference Report to the Staggers Rail Act delineated the clear intent of the Congress where it states:

"The Conferees expect that while the Board develops its principles, the Commission will continue its efforts to complete the uniform revenue and cost systems which it commenced after the passage of the 4R Act so that the Board, as part of its task, will be able to evaluate that system as it is developing its principles." (emphasis added) p. 123.

The electric utility industry actively supported the Rahall Amendment to the Amtrak Reauthorization legislation which passed the House of Representatives on March 6, 1984. This amendment postpones the implementation of URCS until the Railroad Accounting Principles Board, which is charged under the Act with the primary role of developing accurate accounting principles, has had an opportunity to develop its principles and given an opportunity to review URCS. During the interim period, the ICC is required to continue to use the generally-accepted Rail Form A. The full Senate has not taken up the legislation yet.

Mr. Chairman, as the nation's largest user of rail transportation, the electric utility industry is sensitive to the need for a healthy rail transportation system in this country to meet the electric utility industry's growing requirements for coal. While the industry recognizes the need for adequate revenues on coal traffic, it also endorses Congress' explicit direction to the Interstate Commerce Commission that it "maintain reasonable rates where there is an absence of effective competition."

We, therefore, respectively recommend to this subcommittee that it carefully consider the Commission's failure to implement the Staggers Rail Act as the Congress had intended and that it provide the ICC the proper guidance and direction through the appropriations process.

We ask that you prohibit the expenditures of funds by the ICC to publish or adopt the Uniform Rail Costing System or to use it in any regulatory proceeding before the Commission until the Railroad Accounting Principles Board is given an opportunity to develop its costing principles and review URCS, as required by the Staggers Rail Act Conference Report. The Commission should be required to implement and enforce the principles established by the Board.

SUMMARY OF EDISON ELECTRIC INSTITUTE TESTIMONY

1. The Interstate Commerce Commission has abdicated its responsibility to protect the captive rail shipper, as required under the Staggers Rail Act of 1980.
2. Members of the ICC, in a series of rulemakings, propose to establish a process which authorizes the railroads to exercise unrestrained monopoly power over captive coal rates.
3. Unless Congress addresses this consumer issue, the stage is set for an unjustified transfer of billions of dollars from the beleaguered consumer to the prospering railroads. (Burlington Northern, Inc., which is receiving excellent financial ratings, had available sufficient cash reserves last year to purchase El Paso Natural Gas for \$600 million; CSX purchased Texas Gas Resources for more than \$1 billion and Norfolk Southern has nearly \$1 billion in cash it has not yet decided where to invest.
4. The ICC's proposed Uniform Rail Costing System (URCS) will lead to inaccurate cost determinations and even greater rate increases before the Commission has jurisdiction to determine if the particular rate is "reasonable." Adoption of URCS at this time is premature until further analysis, refinement, verification and testing demonstrate its reliable use.
5. The subcommittee should prohibit the expenditure of funds by the ICC to publish or adopt URCS or to use it in any regulatory proceeding before the Commission until the Railroad Accounting Principles Board is given an opportunity to develop its cost accounting principles. The Commission shall implement and enforce the principles established by the Board.

OVERCHARGES FOR SHIPPING COAL

Senator D'AMATO. We are aware of that. The question as to what the funding level will be has not been decided, as you know.

Mr. WEBBER. Yes, sir.

Senator D'AMATO. Let me just ask you—I do not want to fall too far behind—one question. In your testimony you have indicated that in some cases the shipping cost is 80 percent of the price of the delivered coal?

Mr. WEBBER. That is correct, sir.

Senator D'AMATO. Well, how widespread is that?

Mr. WEBBER. You have isolated examples of that. I cannot testify as to how widespread that is.

Senator D'AMATO. Well, what is the average? What is the average percentage which represents shipping cost as it relates to the coal price?

Mr. WEBBER. 30, 30 to 35 percent, sir.

Senator D'AMATO. 30 to 35 percent.

Mr. Webber. Right. But I would again remind you that my industry pays about \$5 billion a year for coal shipments.

Senator D'AMATO. Well, you are not suggesting now for the record that you should not be paying something for the shipment of coal.

Mr. WEBBER. Right.

Senator D'AMATO. The question is, have you made any reports or studies that indicate how much you should be paying? You are paying \$5 billion annually for shipping coal. Obviously, there is a fair and reasonable cost and there should be a cost recovery to the railroads to ship the coal, is that correct?

Mr. WEBBER. We would submit to you, Mr. Chairman, that we are carrying a disproportionate share of the cost load in shipping our coal. If you compare coal shipments to the shipments of other commodities, for example, I think you would have to agree with us that we feel we are being charged unfairly, especially those of us who are captive shippers.

Senator D'AMATO. Have there been any studies to determine how much that overcharge might involve? I understand that is why you want the board, but I am asking you, do you have any studies?

Mr. WEBBER. We have done a study and we would be delighted to submit the summary of that study. But I think that study would prove our case in point, when you take into account tonnage carried versus what the true cost of that tonnage is. I think that study will bear out our case.

I do not have it in front of me here. I did not come prepared with it, but I would be delighted to submit it to the subcommittee.

Senator D'AMATO. Very good. Thank you very much.

[The information follows:]

EDISON ELECTRIC INSTITUTE ANALYSIS OF RATES CHARGED FOR HAULING COAL

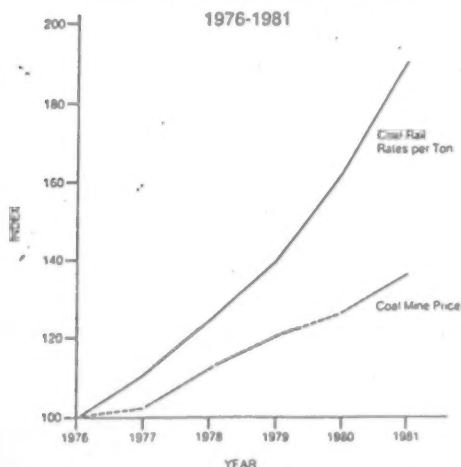
The Edison Electric Institute (EEI) has performed an analysis of railroad financial performance since the passage of the Railroad Revitalization and Regulatory Reform Act of 1976 (4-R Act), with particular emphasis on rates charged for hauling coal. Available data indicates that railroads are, in general, performing better financially than is commonly perceived. Further, utility coal traffic has been found to be a major contributor to this improved financial performance.

The findings of EEI's analysis are:

- Rail rates for coal are increasing faster than the price of coal at the mine.
 - Rail rates for transporting coal have out-paced the cost of providing the service and have increased by 40 percent in constant dollars since 1976, while coal prices at the mine have declined by 18 percent.
 - Coal rail rates have increased faster than both total freight rates or the AAR Price Index following passage of the Staggers Act.
 - When compared to other traffic, coal is considerably more profitable. On a per ton basis, coal's operating profit is 75 percent greater than for other traffic. On a ton-mile basis, coal's operating profit is 77 percent greater.
 - The financial community does not perceive the rail industry to be in poor financial health. Accepted financial indicators together with the multitude of positive statements by members of the financial community confirm this.
1. EEI Finding: Rail rates for coal are increasing faster than the price of coal at the mine. Rail rates as a percentage of the delivered cost of coal have increased from 23.2 percent to 30.1 percent (an increase of 30 percent) from 1976 to 1981. (See Figure No. 1.)

Figure No. 1

Railroad Rates for Coal are Increasing
Faster than the Price of Coal at the Mine



Source: Energy Information Administration, Department of Energy, Annual Energy Review, and the Interstate Commerce Commission, Freight Commodity Statistics.

2. EEI Finding: From 1976 through 1981, rail rates for transporting coal have risen faster than the cost of providing the service. Rail coal rates in constant dollars over the period have increased by 40 percent.

Coal prices at the mine, on the other hand, have declined by 18 percent in constant dollars since 1976.

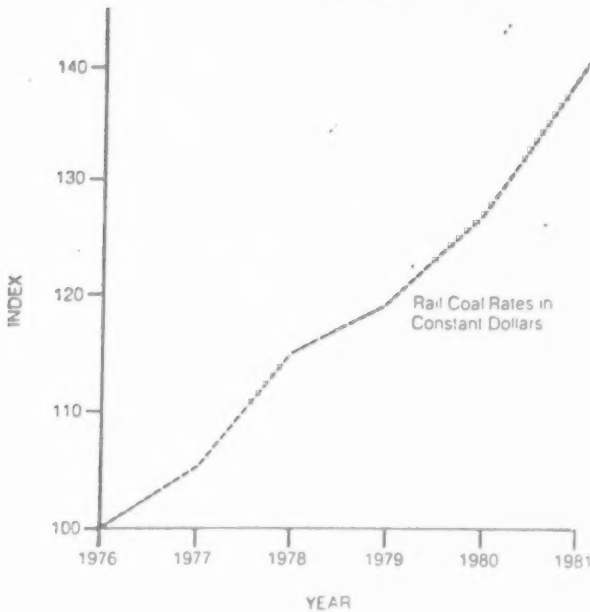
Figure No. 2A utilizes a measure of the impact of inflation, which is based on actual railroad operating cost changes experienced per unit of output. The change in railroad operating costs has been calculated using the change in total operating expense per ton-mile.

Figure No. 2B compares the change in mine price for coal in constant dollars for the years 1976 - 1981.

Figure No. 2A

Railroad Coal Rates are Increasing Steadily In Constant Dollars

1976-1981



Source: ICC, Freight Commodity Statistics. The change in railroad operating costs was calculated using the change in total operating expense per ton-mile over the period 1976 - 1981. The data for this calculation is from the AAR Yearbook of Railroad Facts, 1982, Total Operating Expense and Revenue Ton-Miles. Similar calculations were used by the AAR to display the change in operating costs in The ABZ's of the Railroad Industry.

Figure No. 2B

The Price of Coal at the Mine
Has Declined in Constant Dollars



Source: Energy Information Administration, Department of Energy, Annual Energy Review, and the U. S. Department of Labor, Bureau of Labor Statistics. AAR weighting of PPI components.

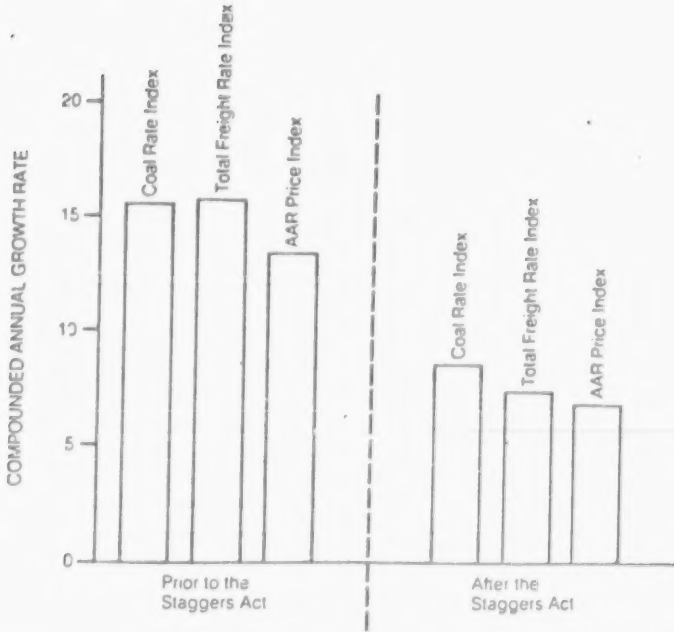
3. EEI Finding: Coal rail rates have increased faster than both total freight rates and the AAR Price Index following passage of the Staggers Act.

Figure No. 3 compares coal freight rates before and after the Staggers Act. It can be seen that the AAR's own Price Index rose much more rapidly in the period prior to the Staggers Act than in the period thereafter. Thus it is not surprising that since the passage of the Act, the rate of increase in rail rates, which tend to follow costs, moderated somewhat.

More significantly, coal freight rates, while increasing slightly slower than total freight rates before the Act, increased significantly faster than total freight rates after the Act. And, for the periods before and after the Act, coal rates increased faster than the cost of providing the rail service, even when measured by the AAR Price Index which overstates the railroads' costs.

Figure No. 3

Coal Rates Since the Staggers Act Have Exceeded the AAR Calculated Cost Increases



Source: U.S. Department of Labor, Bureau of Labor Statistics, *Price Indexes for Total Railroad Freight Rates and Coal Freight Rates (STCC 11)*, AAR Index of Railroad Materials, Prices & Wage Rates, Series RCR.

4. EEI Finding: Coal traffic is profitable. On a per ton basis, coal's operating profit is 75 percent greater than for other traffic. On a ton-mile basis, coal's operating profit is 77 percent greater.

As can be seen in Table No. 4A and Figure No. 4A, although coal accounts for a smaller percentage of total revenue than it does of tons moved, it also incurs an even smaller percentage of the costs. This is because coal is increasingly being carried in extremely efficient unit trains and utility shippers are providing more equipment, thereby reducing the railroads' costs.

Table No. 4B and Figure No. 4B compare the revenue and cost per ton of coal to all other traffic. Coal can be seen to yield a 32.6 percent operating profit while other traffic yields only 18.6 percent, making coal's operating profit 75 percent greater on a per ton basis than the operating profit of other traffic.

Table No. 4C and Figure No. 4C takes the analysis one step further and compares coal revenue to all other traffic on a ton-mile basis. The results are still the same, coal is more profitable than all other traffic.

Figure No. 4A

Coal Contributes More Than its Fair Share to Profits

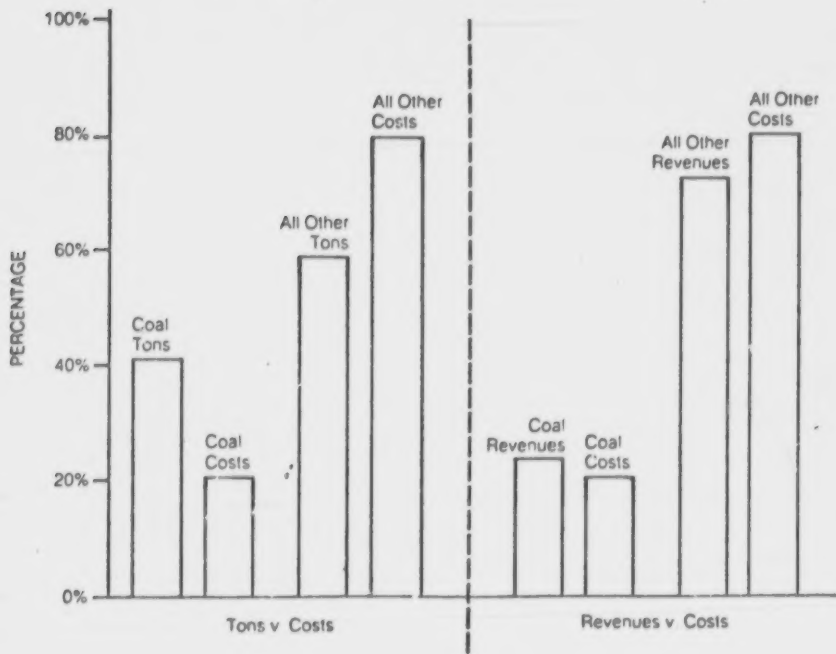


Table No. 4A

1982

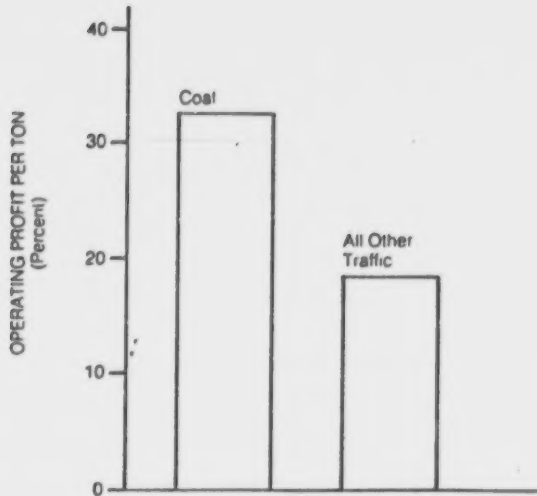
COAL TONNAGE, REVENUES AND EXPENSES
IN RELATION TO ALL OTHER COMMODITIES

Commodity (1)	Percent of Total Tons (2)	Percent of Freight Revenue (3)	Percent of Rail Costs (4)
Coal	41.3%	23.8%	20.55%
All Other Commodities	58.7%	76.2%	79.45%

Source: Columns 2 and 3: ICC Freight Commodity Statistics. Column 4: Relative level of profitability for coal and other commodities, developed from evidence submitted by the railroad defendants to the ICC in Docket Nos. 37063 and 37276. These relationships were applied to the 1982 traffic characteristics from ICC Freight Commodity Statistics.

Figure No. 4B

Coal Revenues Yield a 32.6 Percent
Operating Profit While Other Traffic
Only Yields 18.6 Percent On a Per Ton Basis

Table No. 4B

1982

COAL REVENUE AND COST PER TON
COMPARED TO OTHER TRAFFIC

Commodity (1)	Revenue per Ton (2)	Cost per Ton (3)	Operating Profit (4)
Coal	\$12.04	\$ 8.11	32.6%
Other Traffic	\$27.11	\$22.06	18.6%

Source: Column 2: Interstate Commerce Commission, Freight Commodity Statistics.
Column 3: Relative level of profitability for coal and other commodities, developed from evidence submitted by the railroad defendants to the ICC in Docket Nos. 37063 and 37276. These relationships were applied to the 1982 traffic characteristics from ICC Freight Commodity Statistics.

Figure No. 4C

Coal Revenues Yield a 32.7 Percent
Operating Profit while Other Traffic
Only Yields 18.5 Percent on a Ton-Mile Basis

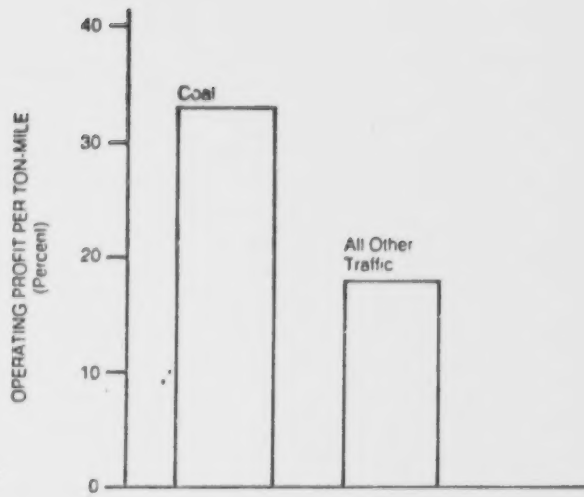


Table No. 4C

1982

COAL REVENUE AND COST PER TON-MILE
COMPARED TO ALL OTHER TRAFFIC

Commodity (1)	Revenue per Ton-Mile (2)	Cost per Ton-Mile (3)	Operating Profit (4)
Coal	2.72¢	1.83¢	32.7%
Other Traffic	5.19¢	4.23¢	18.5%

Source: Column 2: 1982 ICC Freight Commodity Statistics and 1981 TD-1 (Average Haul).
Column 3: Relative level of profitability for coal and other commodities, developed from evidence submitted by the railroad defendants to the ICC in Docket Nos. 37063 and 37276. These relationships were applied to the 1982 traffic characteristics from ICC Freight Commodity Statistics.

5. EEI Finding: The financial community does not perceive the rail industry to be in poor financial health. Accepted financial indicators such as price/earning ratio and the ratio of cash flow per share to capital spending per share together with the multitude of positive statements by members of the financial community confirm this. It is difficult, therefore, to find justification for the railroad's continued claim of poverty.

The use of the average return on total net investment has been continually used by the railroads as an indication of their alleged financial plight. Neither the return on investment number nor the ICC revenue adequacy standard, however, bears any relationship to a true measure of financial health as perceived by the financial community.

Flaws in the return on investment number include:

- The railroad industry did not, until 1983, use the same type of accounting system as the rest of the financial community, which resulted in a significant overstatement of expense and understatement of income; and,
- The investment base upon which the calculation is based has not been purged of assets that are not used and useful. (Note: There is no regulatory authority which requires railroads to keep a "used and useful" investment base similar to that required of electric utilities.)

These facts distort the comparison of return on investment between railroads and other industries.

Flaws in the ICC revenue adequacy standard, which create an artificially high standard of revenue need include:

- Consideration of only the current cost of debt rather than the embedded cost of debt;
- Including deferred taxes (essentially an interest-free loan from the Treasury) in the rate base; and,
- Ignoring measures of financial health commonly used by analysts.

Until a similarity in computation is demonstrated and an accurate standard of revenue need established, any comparison or judgment of the railroads' rate of return number is essentially meaningless.

Using accepted measures of financial condition, the railroads are doing, in general, better than the rest of the nation's industries have been. Even the AAR, in a June 6, 1983, Business Week ad stated:

. . . Despite an uncooperative economy, railroad equities have tripled in market value. Obviously, America's freight railroads are a growth industry.

The continued argument that railroads are in poor financial health is becoming increasingly difficult to sustain. As First Boston's Robert Long recently stated:

The outlook for the railroad industry remains better than at any time during the last two decades.

In addition, Merrill Lynch has stated:

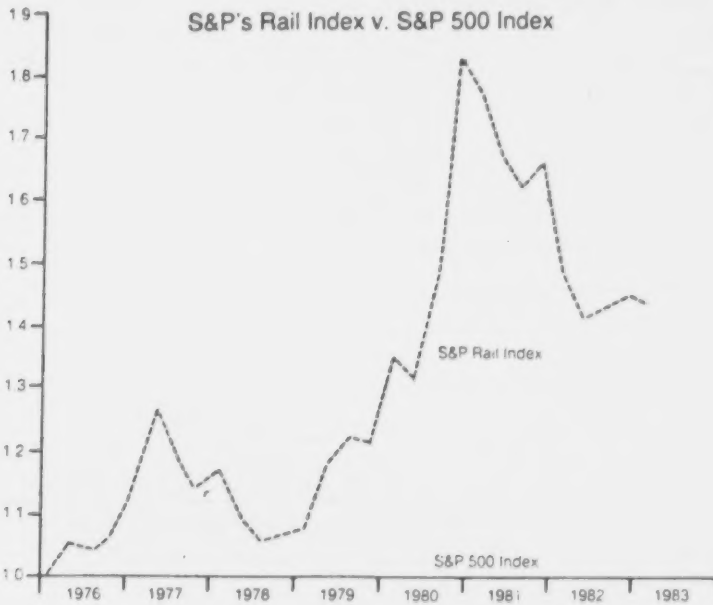
The financial condition of the railroad companies that we follow has been improving, a fact that becomes more impressive considering the overall decline of financial strength of industry in general during the recession.

Nor is this trend a short term occurrence. Figure No. 5 compares the Standard & Poor's (S&P) Rail Index to the S&P 500 Index over the period 1976 through 1983. It can be seen that the Rail Index has out-performed the S&P 500 Index. In other words, an investment in railroad securities produces on the average a far greater yield than a comparable investment in industrial stocks.

The analysts are not alone--many other members of the financial community are voicing similar optimism about the rail industry.

In addition, several of the major railroad systems, found to be "revenue inadequate" by the ICC are, or have been involved in, major corporate acquisitions, involving, in one case, over a billion dollars. The inconsistency of the railroad industry poverty claim is obvious.

Figure No. 5



NATIONAL COAL ASSOCIATION

STATEMENT OF CARL E. BAGGE, PRESIDENT

Senator D'AMATO. I call our next witness, Carl Bagge, president of the National Coal Association.

Mr. BAGGE. Mr. Chairman, I have a rather extensive statement I will just file for the record. There are three points we try to make before this committee. Before making them, I would like to say—

Senator D'AMATO. Your statement will be accepted in the record and printed as if read in its entirety.

Mr. BAGGE. Thank you.

I would like to say that it saddens me as a former regulator to see this sector of our economy being deregulated in a totally irrational manner. The attitude of the Commission, their attitude toward their responsibilities, and their attitude toward the Congress, I submit, in refusing, affirmatively refusing to implement the carefully crafted compromise that we in the coal industry forged with the railroads in the congressional debate on the Staggers Rail Act 3 years ago is totally and completely ignored.

They have emasculated the fundamental and ignored the fundamental difference between shipments of coal traffic where there is competition and where there is no competition. And I respectfully submit that through the emasculation of the market-dominant concept or the so-called captive shipper idea, which the Commission has adopted, has left the utility industry and my industry totally victimized by these outrageous results that do not provide the kind of protection that Congress envisioned when it passed the Staggers Rail Act.

[The statement of Mr. Bagge follows:]

STATEMENT OF CARL E. BAGGE

Mr. Chairman, my name is Carl E. Bagge. I am President of the National Coal Association. NCA represents coal producers, coal sellers, and other organizations associated with the coal industry.

My purpose in appearing before you today is: first, to call your attention to the abject failure of the Interstate Commerce Commission to regulate rail carriers in a manner which protects coal shippers and the public against excessive rail rates; and second, to urge you to take certain actions aimed at correcting the Commission's outrageous capitulation to the railroads by Commission endorsement of railroad desires for rail rates which have no rational relationship to the costs of providing services.

With regard to specific actions sought from this Subcommittee, we urge you:

1. To support the establishment of the railroad accounting principles board authorized in Title III of S. 2537, which has been reported by the Senate Commerce Committee. The bill would authorize \$1 million for each of fiscal years 1984, 1985, and 1986 to enable the board to develop accounting principles governing the determination of rail rates and revenue adequacy. Mr. Chairman, we urge this Subcommittee to initiate legislation which would prohibit Commission implementation of its new Uniform Rail Costing System (URCS) until the board has evaluated URCS. After all, the data-set used in URCS is furnished by the Association of American Railroads and URCS was designed by contractors engaged by the Commission, factors which cry out for an objective appraisal.
2. Further, the Commission should be prohibited from implementing its proposed railroad coal rate guidelines announced in a decision in Ex Parte No. 347 (Sub-No. 1) served February 24, 1983. Simply stated, in its February 24, 1983 proposal, the Commission serves notice that it believes a railroad coal rate is not excessive if it is no more than what a shipper would pay to build a railroad for the movement and to furnish the rail equipment and facilities required for

the traffic. No reasonable person can believe that this is fair and equitable to shippers or to the public which ultimately must pay, under such arrangements, extraordinarily unjust rates due to market dominance of the railroads. Further, the Commission would certify that it is not unreasonable to raise railroad coal rates 15 percent above inflation yearly, a position which must be rejected as arbitrary and wholly obnoxious recognizing the Commission's obvious objective of endorsing railroad imposition of a "bounty" on coal shipments possible only because coal traffic often has no practical alternatives to movement using a single rail carrier.

The Interstate Commerce Commission
Fails to Protect Shippers And
The Public From Rate Abuses

For several years, the issue of excessive rail freight rates and inadequate service has been a monumental concern of the coal industry. It was for this reason that we staunchly supported the reforms contained in the Staggers Rail Act, passed by Congress in 1980 with the intent of both deregulating the railroads and correcting some of the major inequities facing captive shippers.

Unfortunately, the implementation of this law by the Commission has been grossly deficient, to the point where present conditions represent nothing less than a disregard of the Congressional intentions.

Any rational policy of deregulation of a heretofore regulated segment of our economy is necessarily based upon the existence of competition--that is, the substitution of the discipline of the marketplace for regulation. In the absence of such competition, deregulation simply does not work. The deregulation of airline, trucking and bus industries was based on this premise, as was the Staggers Act for railroads.

What has happened to captive coal under the Staggers Act is precisely the opposite. Through a series of rulings covering rail market dominance, coal rate guidelines, revenue adequacy and the exemption of export shipments from regulation, the Commission has disregarded the critical role of competition. The Commission has also

embarked on a course of rail rate abuse that, if left uncorrected, is very likely to cause a decline in coal utilization.

Emboldened by the prejudicial and misguided policy implementations of the Commission, railroads have unleashed a campaign to eliminate or minimize competition for hauling coal. There is no intermodal competition with railroads because they simply will not permit it. Where it exists, they seek to acquire it. Where it is proposed, they attempt to have it killed.

Last year, for instance, when coal producers along with allied industries and consumers banded together to seek enactment of coal slurry pipeline legislation in Congress, the railroads launched an unprecedented financial and political blitz on Capitol Hill and the White House to kill the proposal.

More recently, railroads have unabashedly sought control of the only other available transportation alternative for some coal shippers, by attempting to acquire portions of the nation's barge industry.

Keep in mind also that no meaningful intra-modal rail competition currently exists, due in large part to the substantial increase in rail mergers in recent years. When one railroad--Conrail--had the temerity to lower a coal rate, its connecting rail carriers simply cancelled their through routes and joint rates to maintain the inequitable status quo.

In short, thanks to the Commission, the Staggers Rail Act has been a failure for coal, a fraud on the public and a total deception for anyone concerned with energy price, supply and availability. It has been subverted into a tool that railroads have used to gain unbridled monopolistic power over all coal transport--in defiance of the intent of Congress.

All of this is occurring at the ultimate expense of consumers and to the benefit of railroads who are deemed by an anachronistic accounting system to be "revenue inadequate" by the Commission. Although the Staggers Act explicitly required a reform of railroad accounting principles, this has never been implemented by Congress because railroads know how to apply political pressure. Congress now should pass legislation, that is, Title III of S. 2537 as reported by the Senate Commerce Committee and H.R. 4439, which already has

passed in the House of Representatives to authorize a three-year review of railroad accounting by an independent railroad accounting principles board.

When we lent our legislative support to the Staggers Act, we sought a balance between those areas in which competition existed, where decontrol was permitted, and with continued oversight to assure some rational relationship between cost and rates where market dominance existed. This balance has been destroyed by the Commission and the rail industry.

The Interstate Commerce Commission
Erroneously Endorses Railroad Proposals For
Coal Rate Guidelines And Rail Revenue Adequacy

The Commission errs seriously in abjectly capitulating and endorsing new concepts which are advanced by the railroads with regard to standards for maximum reasonableness of coal rates. We urge that the Commission be restrained from implementing proposed railroad coal rate guidelines which the Commission served on February 24, 1983.

This Subcommittee should take a lead role in stopping a final decision by the Commission on a proposal which is blatantly wrong; one which would severely damage coal's ability to be utilized fully in domestic and world energy markets and seriously harm consumers of electricity generated using coal, because of substantial increases in the price paid by shippers to rail carriers for movement of coal.

The Commission believes a railroad coal rate is not excessive if it is no more than what a shipper would pay to build a railroad for the movement and to furnish the rail equipment and facilities required for the traffic. No reasonable person can believe that this is fair and equitable to shippers or to the public which ultimately must pay, under such arrangements, extraordinarily unjust rates due to market dominance of the railroads. Further, the Commission would certify that it is not unreasonable to raise railroad coal rates 15 percent above inflation yearly, a position which must be rejected as arbitrary and wholly obnoxious.

Where a rail carrier holds market dominance over a coal movement, the carrier must not be permitted to charge the shipper "what the traffic will bear". Under such circumstances the shipper would certainly encounter monopolistic rate abuse.

In fact, we believe the Commission should establish that captive traffic should be charged rail rates which are based on long-run marginal costs, including accurate variable costs and an equitable allocation of fixed costs, allowing an adequate return for the carrier--and that any rates higher than those so derived are per se excessive. To do otherwise, as the Commission now proposes, would endorse movement of non-compensatory traffic, would encourage unwarranted cross subsidization of other traffic, and would require captive commodities such as coal to be called upon to pay an unfair and inequitable share of total rail carrier revenues in violation of the Staggers Act.

The Commission takes the unique view that a railroad's revenue adequacy should be gauged by a single criterion, its rate of return--an approach which fails to factor in other key indicators of financial health such as bond ratings, funds flow and financial ratios commonly employed when examining the strength of other industries. Further, in itself, the actual calculation of a railroad's rate of return by the Commission grossly understates the amount by employing a rate base which includes assets above and beyond those that are used and useful in furnishing transportation service.

In addition, the assets in the rate base reflect the cost of replacement at the current cost of capital, not the depreciated original cost at the cost of embedded debt. Thus, it is most improbable that a railroad ever will be judged to have adequate revenues by the Commission, a factor which makes the 15 percent amount above inflation each year, which I must characterize as a "bounty" on captive coal traffic, especially troublesome and a serious threat to full use of America's coal due to rapidly escalating railroad rates.

Mr. Chairman, our views on the Commission's erroneous standards for determining whether a rail carrier has adequate revenues were recently verified in detail in a report on "Railroad Revenue Adequacy: A Critical Analysis" by Multinational Business Services, Inc., a firm based in Washington, D.C. A copy of the report has been filed with the Subcommittee along with my written statement, and I respectfully request that both the statement and the report be made part of the hearing record.

The preparation of this report was supervised by Jim Tozzi, former deputy administrator of OMB. It clearly and definitively presents facts which support our contention that the ICC is wrong in finding that all Class I rail carriers are "revenue inadequate". On September 23, 1983 NCA and the Edison Electric Institute jointly filed comments with the ICC objecting to the Commission's standards for railroad revenue adequacy. We said that "flaws in the Commission's proposal, taken together, produce a picture of railroad financial health which is radically distorted, at odds with economic reality and plainly inconsistent with the requirements of the Staggers Act".

The report prepared under Jim Tozzi's supervision concurs with the views expressed earlier by EEI and NCA. For instance the report finds:

"Revenue Adequacy" is then defined by the ICC in a way which would make it a virtually unreachable goal and which bears very little resemblance to the financial health of the railroad industry as seen by the financial markets.

Railroad "Revenue Adequacy" as defined by the Interstate Commerce Commission has no relationship to a market based definition, and may never be reached. A financial analyst at one of the nation's leading investment banking firms remarked, "If these accounting conventions were applied to all American industry almost no one would be 'Revenue Adequate'".

In conclusion Mr. Chairman, we believe that this Subcommittee should take certain actions described in this statement presented on behalf of the coal industry to ensure that the careful balance provided in the Staggers Rail Act with regard to the needs of the rail carriers, rail shippers, and the public is fulfilled in the regulatory process which the law entrusts to the Commission.

RAILROAD REVENUE ADEQUACY: A CRITICAL ANALYSIS

Summary

- The 1980 Staggers Rail Act freed the railroads from decades of burdensome regulation by the Interstate Commerce Commission (ICC). The Act was designed to improve the financial health of the railroads while safeguarding shippers who remained "captive" to the monopoly powers of a single railroad.

- Unfortunately, a series of ICC regulatory proposals and decisions have emphasized the financial well-being of the of the railroads without regard for the welfare of "captive" shippers.
- Railroads will be allowed to increase coal hauling rates to "captive" shippers by 15% per year over inflation without shipper recourse to the ICC. The upper limit on price increases is to be either the "Stand Alone Cost" for the whole route of the shipment, or the achievement of "Revenue Adequacy" for the entire railroad company.
- "Revenue Adequacy" is then defined by the ICC in a way which would make it a virtually unreachable goal and which bears very little resemblance to the financial health of the railroad industry as seen by the financial markets.
- The railroads' ability to raise prices with little recourse by the shippers will have a significant negative impact on private sector cost and Federal Government policy in the coal mining, electrical utility and agricultural industries. For example:
 - * The cost of electricity generated by coal will increase by up to \$1 billion per year.
 - * There will be 25% to 35% less Western coal mined.
 - * The conversion of electrical generation from oil fired to coal fired plants will halt.
 - * The cost of grain shipped by rail will be subject to similar price increases to those for coal shippers.

- The ICC's definition of "Revenue Adequacy" is based on "Return on Investment" which is then set equal to a cost of capital figure. The theory is that a railroad should make a market based return on its investment.
- In practice, however, the ICC has allowed accounting conventions which vastly understate income and overstate the investment base from which the ROI figures are calculated. Additionally, the cost of capital is calculated as if the railroads had to refinance their debt each year. This significantly overstates the true cost of capital. As one financial analyst from a leading investment banking firm remarked: "If these accounting conventions were applied to all American industry almost no one would be 'Revenue Adequate'."
- An ICC staff analysis shows that for 1980 these conventions allowed the railroads to understate railroad operating income and thus ROI by over 50%. Of a total of \$4.1 billion derived from the application of standard conventions, only \$1.9 billion was reported as railroad operating income. \$1.3 billion was not included because of unique depreciation rules allowing capital expenditures to be expensed in the year they are incurred. Almost \$1 billion more in other transportation related income was not included in the ROI calculations.
- The ICC has proposed changes to these rules to bring them back into line with normally accepted conventions. At the same time, however, they have proposed to value the investment base at replacement cost rather than original cost. No other industry in America does this.
- As calculated by the ICC, this would increase the

investment base in 1980 from \$35 billion to \$118 billion and, by creating extremely low ROI figures, assure "Revenue Adequacy" would not be reached in the foreseeable future. This would allow continuous annual price increases to "captive" shippers of up to 15% over inflation.

- A survey of the nation's top financial analysts indicates almost none looks at ROI to determine the financial health of the railroads, yet this is the single factor chosen by the ICC to measure "Revenue Adequacy".
- Perhaps this explains why the ICC's evaluation of Railroad "Revenue Adequacy" differs from that of the financial marketplace which uses a variety of other financial ratios to evaluate the financial health of the railroads.
- Rail stocks have strongly outperformed the market over the last year. In addition, the nation's premier bond rating service, Standard and Poor's, rates 19 of 22 railroads' bonds as investment grade (BBB) or higher. Seventeen of the twenty-two received the premium rating of A or higher and seven the extra premium rating of AA.
- This analysis examines the positive picture of railroad financial health as the financial markets see it and contrasts this picture with the dismal view created by the ICC. A number of financial ratios commonly used by financial analysts are calculated. Income figures have been restated to reflect the change to depreciation accounting practices mandated by the ICC. The ratios include Return on Permanent Capital, Return on Equity, Cash Flow to Total Debt and Fixed Charge Coverage.
- The analysis concludes that by these market based measures

the railroads are in or very near good financial health, often in better shape than the coal, utility and agricultural "captive" shippers that the ICC has given them the freedom to raise prices on.

Introduction

For nearly a hundred years, the nation's railroads were closely regulated by the Interstate Commerce Commission (ICC). While other transportation modes such as trucking and airlines flourished, the railroad industry languished under decades of burdensome regulation. Unable to compete effectively with other transportation modes, railroad profits were low, service deteriorated, and several bankruptcies occurred.

The U.S. Congress, by passing the Railroad Revitalization and Regulatory Reform (4R) Act of 1976 and the Staggers Rail Act of 1980 dramatically altered the regulatory responsibilities of the Interstate Commerce Commission. These changes were designed to improve the financial well-being of the railroads while safeguarding shippers who remained "captive" to the monopoly powers of a single railroad. A great deal of the ICC's rate making authority was removed to allow railroads to compete with other modes of transportation.

In areas where the railroads maintained a "market dominant" or monopoly-like position over their customers, they were still to be subject to rate making decisions by the ICC but with a vital difference. Under new proposed regulations the burden of proof has changed from the railroads to the shippers. The railroads would be allowed to increase prices to "captive" shippers up to 15% over inflation each year with little shipper recourse to the ICC. In addition, the railroads may continue these annual price increases until the "stand-alone" cost of shipping along a certain route is reached or until the entire railroad becomes "Revenue Adequate". Thus, a shipper with no

other transportation option than the railroads is now subject to completely paying for that portion of the railroad it relies upon or insuring that the entire railroad it uses is "Revenue Adequate".

"Revenue Adequacy" is defined by the ICC in such a way which would make it a nearly unreachable goal. Further, "Revenue Adequacy" bears little resemblance to the measures used by the financial markets to determine the financial health of the railroads.

The annual rail transportation cost of coal is over \$5 billion dollars. Most of this coal is subject to the "captive shippers" regulatory scheme, and hence potential annual price increases of 15% over inflation. Since the transportation cost of coal is a large portion of the total cost of coal, the ICC's regulatory decisions will have an impact not only on the nation's railroads but on the shippers and ultimately the nation's consumers. A few of the clearest impacts are:

- The costs of electricity generated by coal will increase by up to \$1 billion per year.
- Less coal from Western states will be mined and burned due to increased transportation costs. Energy Department estimates are that there will be a 25 to 35 percent decrease.
- Because coal will be more costly to burn, utilities will continue to rely on foreign oil and seek to build nuclear power plants. Conversion to coal-fired plants will halt.
- The prices of grain, another commodity where shippers are mostly captive, will also be subject to potentially large increases.

The ICC's regulations defining "Market Dominance", "Revenue Adequacy" and "Rail Rates for Captive Shippers" will have an impact of more than a billion dollars per year. These decisions will affect the financial stability and viability of America's coal mining and electrical utility industries and agriculture as well as the nation's railroads.

Congress' intent in the 4R and Staggers Acts to improve the financial health of the railroads is being met. The ICC's record of implementation of Congress' intent to protect the rights of captive shippers is not good. Unfortunately, the ICC's proposals and decisions to date have emphasized the financial well being of the railroads without regard for the welfare of captive shippers.

This analysis examines the generally positive picture of railroad financial health as the financial markets see it and contrasts this picture with the dismal view created by the ICC. Income figures have been restated to reflect a change to depreciation accounting practices mandated by the ICC. By a number of market based measures the railroads are at or very near good financial health; often better than the health of the "captive" shippers the ICC has given them freedom to raise prices on.

Railroad "Revenue Adequacy" as the ICC Defines It

The ICC uses the term "Revenue Adequacy" to describe the financial health of a railroad. If a railroad's Return on Investment (ROI) is less than its current cost of capital, the railroad is considered "Revenue Inadequate". If the railroad is "Revenue Inadequate" it is able to raise its rates to captive shippers by 15% per year without shipper recourse to the ICC.

The ICC defines "Revenue Adequacy" as the point at which a railroad's ROI is equal to its current cost of capital. The ICC applies a unique set of accounting and financial conventions for

determining both Return on Investment and cost of capital. ROI is defined as net railroad operating income after taxes divided by the net investment base. The cost of capital is defined as the cost of risk or equity capital and the current cost of all debt weighted by an industry average debt/equity ratio.

Unfortunately the ICC defines each of these elements in such a way as to maximize the financial benefit to the railroads at the expense of the shippers. Additionally, ROI is almost never used by financial analysts in determining the financial health of railroads. The ICC relies solely upon a financial ratio which is defined in such a way as to minimize income, maximize the asset base and increase the cost of capital. This creates a false perception of poor financial health of the railroads. For example:

- Through 1983, all investments in track and structures were expensed in the year taken rather than depreciated over the life of the track. This understates income and ROI by nearly 50%. In real numbers, as estimated by the ICC, income was understated for all railroads by \$1,288 million dollars in 1980.¹ For the 17 major railroads covered in this analysis, income for 1980, 1981 and 1982 was understated by \$900 to \$950 million each year.
- Income from equity ownership in other railroads and other transportation related income is not always included in railroad operating income. For 1980, the ICC estimates that the amount not included for all major railroads was \$952 million.² The total net revenues for these railroads from railroad operations was \$1,869 million.
- The impact of including depreciation and other transportation related income in the ROI calculations

for the "Revenue Inadequate" Southern Railroad for 1980 is examined in the section on Return on Investment. The result, in brief, is that the Southern would be reclassified as "Revenue Adequate".

- The ICC has proposed to remedy these income accounting problems in pending rulemaking but has created new problems in that same proposal. The investment base is to be redefined by allowing investments to be valued at the replacement cost of an item rather than its original cost. No other industry in America does this. This would have the impact, based on ICC estimates for 1980, of increasing the investment base from approximately \$35 billion to over \$118 billion.³ This increase of nearly 240% reduces railroad ROI by nearly 70%, and insures no railroad will be deemed "Revenue Adequate" in the foreseeable future.
- Deferred taxes are included in the investment base. Thus, railroads are allowed to earn a market rate of return on what is essentially a tax free loan from the U.S. taxpayers. Although this is normal for many non-regulated industries, it is not as common in regulated industries. In the past, the ICC has excluded deferred taxes from its calculation of the net investment base. It is estimated that to include deferred taxes overstates revenue adequacy needs by approximately \$900 million in 1983 alone.⁴ The impact of removing deferred taxes from the railroads' net investment base is examined in the section on Return on Investment.
- Although the ICC is concerned about allowing for problems caused by inflation in order to decrease income

and increase the investment base, it does not give credit for the benefits of inflation in its cost of capital calculation. The current cost of debt is used, rather than the actual or "embedded" cost of debt usually used in these calculations. Thus, even though most railroads have almost no short term debt and rely mostly on low interest long term debt, the cost of capital is calculated as if the railroads needed to refinance all of their debt each year. The ICC average cost of capital for the three years 1980, 1981 and 1982 was 15.4%. If the actual embedded cost of debt is used this is reduced substantially to 13.8%. This is estimated to inflate the cost of capital, and therefore revenue adequacy needs, by approximately \$840 million per year.⁵ The review of the Southern Railroad for 1980 found in the ROI section also examines the effect of using embedded cost of debt rather than current cost.

The sum of all these regulatory decisions and proposals form a clear picture: Railroad "Revenue Adequacy" as defined by the Interstate Commerce Commission has no relationship to a market based definition, and may never be reached. A financial analyst at one of the nation's leading investment banking firms remarked, "If these accounting conventions were applied to all American industry almost no one would be 'Revenue Adequate'."⁶

Railroad "Revenue Adequacy" as the Financial Markets Define it

Equity investors look for a reasonable return on their stock purchases through both dividends and capital appreciation or growth. Sources of debt funding want assurance that they will receive annual interest payments and eventual repayment of their principal. These goals are assured when a business earns enough to cover operating expenses (including depreciation and

prudent capital outlays) as well as a reasonable profit or return on the capital employed in the business.

Thousands of financial analysts spend their professional lives determining the value and credit worthiness of businesses. Investment decisions based on this analysis form the basis for stock prices and ratings of credit worthiness in the financial markets.

A survey of railroad equity and debt analysts indicates that they look most carefully at Return on Capital, Return on Equity, Cash Flow to Total Debt and Fixed Charge Coverage, as well as Operating ratio and Debt to Equity ratios. Additionally, most equity analysts are interested in earnings growth. Almost none look at Return on Investment - the single factor chosen by the ICC to determine Railroad "Revenue Adequacy".⁷

Perhaps this explains why the ICC's evaluation of railroad financial health differs from that of the financial market place. Even using the ICC's accounting conventions to determine railroad income, the nation's premier bond rating service, Standard and Poor's, rated nineteen of twenty-two major railroads as investment grade (BBB) or higher. Further, seventeen of the twenty-two received the premium rating of A or higher and seven the extra premium rating of AA. These ratings are meant to evaluate credit worthiness or ability to repay funds borrowed from investors in the bond markets.

Additionally, a substantial portion of all the railroad's debt is in the form of a special debt instrument called the Equipment Trust Certificate. This Bankruptcy Act instrument has special security assurances which allow it to be priced better than the natural credit of the firm. A practical demonstration of the security of these instruments is shown by the bankruptcy of the Penn Central in 1970. There was not one default on over a billion dollars of these certificates which were outstanding at the time.

Equity analysts evaluate the worth of a company's stock by looking at earnings growth and thus assurance of growth in the capital value of the company as well as its ability to regularly pay dividends. Most railroads are owned by holding companies which also own many other assets. Unfortunately this makes it difficult to look at Railroad "Revenue Adequacy" by looking at stock market performance, because the stock market evaluates the performance and earnings of the holding company, not the railroad subsidiary.

Nonetheless, there is a direct relationship between the stock market's evaluation of a holding company's value and the value of its railroad operating subsidiary. In general, the railroad operations currently provide, or have in the past provided, the bulk of the revenues of the holding company. Originally railroads consisted only of the operating company and land given to it by the Federal Government. In a sense then, all earnings originally flowed from railroad operations.

Many of the nation's largest railroad holding companies are today "cash rich". The days of railroads being unable to afford capital expenditures are fading. An analysis of Railroad Net Income, Retained Funds and Gross Capital Expenditures⁸ indicates that railroads are able to pay for substantial capital expenditures out of internally generated funds. From 1977 to 1981, even using ICC accounting procedures, internally generated funds increased nearly fourfold from \$763 million to \$2,789 million. Net income increased nearly 7 times from \$326 million to over \$2 billion. Annual Capital Expenditures during that period increased by over a billion dollars to \$3.3 billion in 1980.

Current large acquisitions of new businesses are also indicative of the financial health and revenue adequacy of the railroads. This is illustrated by the purchase of El Paso Natural Gas for over \$1 billion by the holding company of the Burlington Northern and the purchase of Texas Gulf Resources for

nearly a billion dollars by CSX (the holding company for the Chessie and Seaboard System Railroads). These acquisitions were listed by Fortune magazine as two of the "50 Largest Financial Deals of 1983". The acquisitions were funded mostly out of internally generated cash with some short term debt and, in the case of CSX, additional equity. This is another indication that internally generated funds alone are becoming adequate for railroad capital spending needs.

A Market Based Analysis of Railroad "Revenue Adequacy"

Ideally, the ICC should evaluate the financial health of the railroads the same way the financial community does; using normally accepted accounting conventions and definitions of financial terms, as well as a variety of measures of financial health.

In the past, the ICC has utilized several financial ratios to determine "Revenue Adequacy". This was changed in March of 1981 by ICC decision Ex Parte No. 393 "Standards for Railroad Revenue Adequacy."

The following analysis examines a few of the most basic financial ratios looked at by top financial analysts. The ratios as well as the ICC's Return on Investment, have been restated to take into account the impact of a switch from "Betterment" accounting to depreciation accounting for track and structures. The Retirement Replacement Betterment (RRB) system of accounting currently used by the railroads treats the investment in track and structures in a unique way. All track and structures are carried on the books at original cost and never depreciated. Any maintenance, including total replacement, is charged against income as an expense. Only when the track and structure work is an improvement or "Betterment" over the previous investment is that increment of "Betterment" added to the investment base.

Other transportation related income and assets are not considered in this three-year analysis because available data was limited to 1980. The ICC, in its analysis of 1980 alternative ROI calculations⁹ determined that this additional restatement would increase income by over 50%.

In the section on Return on Investment this analysis examines what the change in ROI would be assuming deferred taxes are removed from the investment base. Finally, this analysis examines the impact of adding other transportation related income in 1980 for the Southern Railroad.

Methodology

The method used to determine the revenues added by the switch to depreciation accounting was developed by the U.S. Government Accounting Office (GAO).¹⁰ It is a general method which can be relatively easily applied to publicly available railroad financial data as contained in the railroad's annual R-1 Report to the ICC. Many simplifying assumptions were necessary. A discussion of the methodology and a listing of the key assumptions is included as Appendix A. The ICC staff, as previously indicated, has performed a more detailed analysis for 1980 of the impact that the switch to depreciation accounting will have on railroad earnings. A discussion of the ICC methodology and a comparison of the pretax adjustments to income in the ICC analysis with the same figures from this analysis is contained in Appendix B. Briefly, this analysis' figures were fairly comparable to those generated by the ICC. They were an average of 19% higher than the ICC analysis with a range of zero difference to 65% difference. Thirteen of the seventeen railroads examined were 30% different or less, eight being 22% or less different. In all but one case the ICC figures were lower. There were no ICC figures available for 1981 or 1982.

The GAO methodology based figures of this analysis were also compared with an analysis by Mr. Jack Kawa of Dean Witter Reynolds which examines the earnings impact of the switch to depreciation accounting for track structure. The comparison is more difficult to make because Mr. Kawa's figures were done using a simpler set of assumptions and are reported as a consolidated impact on earnings at the holding company level. A comparison of Mr. Kawa's estimates of the pretax earnings impact to those developed using the GAO methodology is, however, contained in Appendix C. A list of Mr. Kawa's assumptions is also included. In most cases, the impact as estimated by Mr. Kawa was substantially understated when compared to this analysis. The average difference was approximately 94%, while the range was from seven percent difference to 480% difference. In 13 of the 27 railroad/years worth of data the difference was less than 45%.

Finally, in all cases this analysis used effective tax rates to determine any after tax impacts. Considering that the railroads have numerous ways to reduce and defer taxes, it is more likely that this assumption will prove to be accurate. Discussions with ICC staff and railroad industry analysts confirmed this view.

Results

The following sections illustrate the results of the restatement of income which takes into account the switch from "Betterment" to depreciation accounting. The financial ratios commonly used in Standard and Poor's bond rating process are all recalculated to reflect the additional income. The recalculated ratios are then compared to the original figures which were calculated using "Betterment" accounting.

In all cases, the figures used were three-year averages. This enables a more valid comparison than reliance on just one

year of data. The actual ratios calculated for each year are included as Appendix D.

Weighted and non-weighted averages are both calculated. All weighting was done by the items calculated. For example, Return on Permanent Capital figures were weighted by size of permanent capital. Thus, a high return for a small company is given less weight than a high return for a larger company. It is the author's opinion that weighted averages are a fairer way to present the data.

The data is also presented at both the individual company level, and at the consolidated holding company level.

Return on Permanent Capital

Return on Permanent Capital is a key ratio used by Standard and Poor's in its bond rating process. The figure is derived by determining pretax available income and then dividing by permanent capital. Pretax available income is net income with taxes and interest charges added back. Permanent capital is defined as the average of beginning and end of year figures for total debt plus deferred taxes, long term accounts payable to affiliated companies and stock holder's equity.

This analysis simply restates Standard and Poor's ratio to reflect the change to depreciation accounting. No adjustment was made to remove deferred taxes from the capital base. This would have had the effect of increasing the return figures further by approximately 15%.

The three-year weighted average Return on Permanent Capital for the railroads analyzed was 9.9% using the figures derived from "Betterment" accounting. The return increased by 40% to 13.9% when the extra income from depreciation accounting for track and structure was taken into account.

the three-year average of the current cost of capital as calculated by the ICC is 15.4%. Instead of being less than

two-thirds "Revenue Adequate" as an industry, these figures indicate that even by the ICC's high standard, the railroads are 90% of the way towards financial health. Six of the seventeen railroads examined had a three-year average ROC of more than 15.4%. Only one railroad was lower than 10.2%.

The three-year average cost of capital if the embedded cost of debt is used is approximately 13.8%. This is equal to the weighted industry average rate of Return on Permanent Capital. Ten of the seventeen railroads examined exceeded this return. Two more were between 13.5% and 13.8%. If data at the holding company level is considered, only two railroads (the Atchison Topeka & Santa Fe, and the Southern Pacific) are materially below this 13.8% cost of capital figure for the three-year average of 1980, 1981 and 1982.

If the Return on Permanent Capital ratio figure is used as the comparison to the railroads' cost of capital, it is clear that the railroads are, as an industry, "Revenue Adequate".

RETURN ON PERMANENT CAPITAL

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
MAJOR COAL HAULERS		
BALTIMORE AND OHIO	5.2%	10.2%
ATCHISON TOPEKA & SANTA FE	7.1%	11.1%
LOUISVILLE & NASHVILLE	8.9%	13.6%
UNION PACIFIC	9.2%	12.7%
SEABOARD COAST LINE	9.5%	13.7%
BURLINGTON NORTHERN	9.6%	15.4%
MISSOURI PACIFIC	10.7%	14.8%
CHESAPEAKE & OHIO	11.2%	14.2%
WESTERN MARYLAND	12.2%	14.4%
SOUTHERN RAILWAY	12.3%	14.4%
NORFOLK & WESTERN	17.6%	20.6%
TOTAL		
AVERAGE	10.3%	14.1%
WEIGHTED AVERAGE	10.4%	14.4%
OTHER MAJOR RAILROADS		
SOUTHERN PACIFIC	4.9%	7.7%
CHICAGO & NORTHWESTERN	7.8%	19.9%

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
OTHER MAJOR RAILROADS—Continued		
ST. LOUIS SOUTHWESTERN	10.3%	12.6%
DENVER & RIO GRANDE	10.8%	16.8%
KANSAS CITY SOUTHERN	11.8%	17.1%
WESTERN PACIFIC	12.1%	21.8%
TOTAL		
AVERAGE	9.6%	16.0%
WEIGHTED AVERAGE	7.1%	11.3%
OVERALL TOTAL		
UNWEIGHTED AVERAGE	10.1%	14.8%
WEIGHTED AVERAGE	9.9%	13.9%
ATCHISON TOPEKA & SANTA FE	7.1%	11.1%
BURLINGTON NORTHERN	9.6%	15.4%
CHICAGO & NORTHWESTERN	7.8%	19.9%
--CSX--		
BALTIMORE AND OHIO	5.2%	10.2%
CHESAPEAKE & OHIO	11.2%	14.2%
WESTERN MARYLAND	12.2%	14.4%
CHESSIE SUBTOTAL	9.5%	12.9%
WEIGHTED AVERAGE	8.8%	12.6%
LOUISVILLE & NASHVILLE	8.9%	13.6%
SEABOARD COAST LINE	9.5%	13.7%
SEABOARD SYSTEM SUBTOTAL	9.2%	13.7%
WEIGHTED AVERAGE	9.2%	13.7%
CSX SUBTOTAL	9.4%	13.2%
WEIGHTED AVERAGE	9.0%	13.1%
DENVER & RIO GRANDE	10.8%	16.9%
KANSAS CITY SOUTHERN	11.8%	17.1%
NORFOLK & WESTERN	17.6%	20.6%
SOUTHERN RAILWAY	12.3%	14.4%
N & S SUBTOTAL	14.9%	17.5%
WEIGHTED AVERAGE	14.8%	17.4%
UNION PACIFIC	9.2%	12.7%
MISSOURI PACIFIC	10.7%	14.8%
WESTERN PACIFIC	12.1%	21.8%
UP SUBTOTAL	10.7%	16.4%
WEIGHTED AVERAGE	10.0%	13.8%

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
OTHER MAJOR RAILROADS—Continued		
SCUTHERN PACIFIC	4.9%	7.7%
ST. LOUIS SOUTHWESTERN	10.3%	12.6%
SPT SUBTOTAL	7.6%	10.2%
WEIGHTED AVERAGE	5.9%	8.6%
OVERALL TOTAL		
UNWEIGHTED AVERAGE	10.1%	14.8%
WEIGHTED AVERAGE	9.9%	13.9%

Return on Stockholder's Equity

Return on Stockholder's Equity (ROE) ratio is commonly used to determine whether a stockholder is being adequately rewarded for the investment risk he is taking. In the case of this analysis, Return on Equity was calculated as the ratio of net income to stockholder's equity. In this case, all railroad company income was included. It would be difficult to separate the amount of stockholder's equity to be apportioned to the sub income account of railroad operating income.

The net income figures were restated to reflect the increased income due to the switch to depreciation accounting. ROE figures, on a weighted average basis increased from 9.3% to 14.5%.

The three-year average cost of equity capital as calculated by the ICC for 1980, 1981 and 1982 is 17.2%. Such a return would place the railroads among the most profitable industries in the nation. For example, the pharmaceutical industry average ROE for 1970 to 1980 was 18.6%. The cosmetics industry ROE for the same period was 17.3%. Six of the seventeen railroads earned a three-year average return on equity greater than 17.2%. Ten of seventeen had a ROE greater than 15%.

The following comparisons illustrate the financial health of the railroads:

- The average ROE for the ten years 1970 to 1980 for forty-seven industries was 11.7%. When measured against this figure, all but two railroads exceeded it.
- The ROE on the Standard and Poor's 500 (a listing of the 500 most actively traded stocks) from 1962 to 1982 ranged between 10% and 15%.
- The 1970 to 1980 ten-year average ROE for the coal mining industry was 10.9%. That of the electrical utility industry for the same period was 10.8%.

When data at the holding company level is considered, only one railroad, the Southern Pacific, had a three-year average ROE below 11.7%.

These restated figures again demonstrate that the railroads are in better financial health than the ICC judges. The performance of most railroad holding companies' stocks over the last two years leaves no doubt that the investing public and financial analysts perceive railroad stocks to be a good investment.

RETURN ON EQUITY

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RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
MAJOR COAL HAULERS -----		
BALTIMORE AND OHIO	4.2%	10.5%
ATCHISON TOPEKA & SANTA FE	6.7%	12.2%
UNION PACIFIC	8.0%	11.9%
LOUISVILLE & NASHVILLE	8.6%	17.3%
BURLINGTON NORTHERN	8.7%	15.8%
WESTERN MARYLAND	8.9%	11.5%
CHESAPEAKE & OHIO	9.8%	11.8%
SOUTHERN RAILWAY	12.1%	15.6%
SEABOARD COAST LINE	12.4%	16.4%
MISSOURI PACIFIC	14.1%	22.2%
NORFOLK & WESTERN	14.8%	18.0%
TOTAL		
AVERAGE	9.8%	14.8%
WEIGHTED AVERAGE	10.0%	14.9%

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
OTHER MAJOR RAILROADS		

CHICAGO & NORTHWESTERN	0.0%	57.9%
SOUTHERN PACIFIC	2.6%	7.4%
DENVER & RIO GRANDE	9.2%	15.4%
WESTERN PACIFIC	9.5%	49.6%
ST. LOUIS SOUTHWESTERN	10.8%	13.9%
KANSAS CITY SOUTHERN	13.5%	23.0%
TOTAL		
AVERAGE	7.6%	27.9%
WEIGHTED AVERAGE	5.0%	17.4%
OVERALL TOTAL		
UNWEIGHTED AVERAGE	9.1%	19.4%
WEIGHTED AVERAGE	9.3%	14.5%
ATCHISON TOPEKA & SANTA FE	6.7%	12.2%
BURLINGTON NORTHERN	8.7%	15.8%
CHICAGO & NORTHWESTERN	0.0%	57.9%
--CSX--		
BALTIMORE AND OHIO	4.2%	10.5%
CHESAPEAKE & OHIO	9.8%	11.8%
WESTERN MARYLAND	8.9%	11.5%
CHESSIE SUBTOTAL	7.6%	11.2%
WEIGHTED AVERAGE	7.7%	11.3%
LOUISVILLE & NASHVILLE	8.6%	17.3%
SEABOARD COAST LINE	12.4%	16.4%
SEABOARD SYSTEM SUBTOTAL	10.5%	16.8%
WEIGHTED AVERAGE	11.2%	16.7%
CSX SUBTOTAL	9.0%	14.0%
WEIGHTED AVERAGE	9.4%	13.9%
DENVER & RIO GRANDE	9.2%	15.4%
KANSAS CITY SOUTHERN	13.5%	23.0%
NORFOLK & WESTERN	14.8%	18.0%
SOUTHERN RAILWAY	12.1%	15.6%
N & S SUBTOTAL	13.5%	16.8%
WEIGHTED AVERAGE	13.6%	16.9%
UNION PACIFIC	8.0%	11.9%
MISSOURI PACIFIC	14.1%	22.2%
WESTERN PACIFIC	9.5%	49.6%
UP SUBTOTAL	10.5%	27.9%
WEIGHTED AVERAGE	10.0%	15.7%

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
OTHER MAJOR RAILROADS—Continued		
SOUTHERN PACIFIC	2.6%	7.4%
ST. LOUIS SOUTHWESTERN	10.8%	13.9%
SPT SUBTOTAL	6.7%	10.6%
WEIGHTED AVERAGE	4.1%	8.6%
OVERALL TOTAL		
UNWEIGHTED AVERAGE	9.1%	19.4%
WEIGHTED AVERAGE	9.3%	14.5%

Fixed Charge Coverage

The Fixed Charge Coverage ratio is given heavy weighting by most financial analysts. It is a fundamental measure of the adequacy of earnings to cover the interest charges on debt. It is calculated by first developing pretax available income and then dividing that figure by interest charges. Standard and Poor's normally assigns a premium rating of A to railroads with a pretax fixed charge coverage ratio of 2.5 or better. AA is usually reserved for those firms with a ratio of 4.0 or better.

In this analysis, pretax available income has been adjusted to account for the change to depreciation accounting. As most railroads are currently rated as A or above, it comes as no surprise that the weighted industry average ratio even before restatement is 3.6. Restated, the industry average ratio is substantially higher at 5.0.

When income is restated, all but one of the seventeen railroads examined (the Chicago and Northwestern) exceeded the coverage ratio of 2.5 times fixed charges. Eleven of the seventeen railroads exceeded the ratio of 4.0 times fixed charges. Finally, eight of the railroads' Fixed Charge Coverage ratios exceeded 5.0 times fixed charges.

The ICC, in a staff analysis,¹¹ stated that a coverage ratio over 3.5 would definitely indicate "Revenue Adequacy," and that even a railroad with a ratio as low as 2.5 could be

"Revenue Adequate". Clearly by this standard, the industry as a whole and most of the individual railroads examined are "Revenue Adequate".

FIXED CHARGE COVERAGE

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
MAJOR COAL HAULERS		

BALTIMORE AND OHIO	2.03	3.96
LOUISVILLE & NASHVILLE	2.56	3.94
MISSOURI PACIFIC	2.74	3.77
SEABOARD COAST LINE	2.85	4.10
ATCHISON TOPEKA & SANTA FE	3.26	5.11
BURLINGTON NORTHERN	3.42	5.47
WESTERN MARYLAND	3.62	4.29
UNION PACIFIC	4.41	6.10
SOUTHERN RAILWAY	4.41	5.18
CHESAPEAKE & OHIO	6.87	8.72
NORFOLK & WESTERN	11.56	13.49
TOTAL		
AVERAGE	4.34	5.83
WEIGHTED AVERAGE	4.01	5.53
OTHER MAJOR RAILROADS		

CHICAGO & NORTHWESTERN	0.83	2.11
WESTERN PACIFIC	1.45	2.61
SOUTHERN PACIFIC	1.70	2.68
KANSAS CITY SOUTHERN	2.81	4.08
ST. LOUIS SOUTHWESTERN	5.30	6.48
DENVER & RIO GRANDE	5.89	9.14
TOTAL		
AVERAGE	3.00	4.52
WEIGHTED AVERAGE	2.05	3.26
OVERALL TOTAL		
UNWEIGHTED AVERAGE	3.87	5.37
WEIGHTED AVERAGE	3.60	5.05
ATCHISON TOPEKA & SANTA FE	3.26	5.11
BURLINGTON NORTHERN	3.42	5.47
CHICAGO & NORTHWESTERN	0.83	2.11
--CSX--		
BALTIMORE AND OHIO	2.03	3.96
CHESAPEAKE & OHIO	6.87	8.72
WESTERN MARYLAND	3.62	4.29
CHESSIE SUBTOTAL	4.17	5.66
WEIGHTED AVERAGE	4.16	5.94

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
OTHER MAJOR RAILROADS—Continued		
LOUISVILLE & NASHVILLE	2.56	3.94
SEABOARD COAST LINE	2.85	4.10
SEABOARD SYSTEM SUBTOTAL	2.71	4.02
WEIGHTED AVERAGE	2.72	4.03
CSX SUBTOTAL	3.59	5.00
WEIGHTED AVERAGE	3.30	4.79
DENVER & RIO GRANDE	5.89	9.14
KANSAS CITY SOUTHERN	2.81	4.08
NORFOLK & WESTERN	11.56	13.49
SOUTHERN RAILWAY	4.41	5.18
N & S SUBTOTAL	7.98	9.34
WEIGHTED AVERAGE	6.83	7.99
UNION PACIFIC	4.41	6.10
MISSOURI PACIFIC	2.74	3.77
WESTERN PACIFIC	1.45	2.61
UP SUBTOTAL	2.87	4.16
WEIGHTED AVERAGE	3.27	4.54
SOUTHERN PACIFIC	1.70	2.68
ST. LOUIS SOUTHWESTERN	5.30	6.48
SPT SUBTOTAL	3.50	4.58
WEIGHTED AVERAGE	2.21	3.21
OVERALL TOTAL		
UNWEIGHTED AVERAGE	3.87	5.37
WEIGHTED AVERAGE	3.60	5.05

Cash Flow to Total Debt

This is the key measure used by Standard and Poor's and other industry analysts to determine the financial strength and flexibility of the railroads. The ratio measures the ability to utilize cash flow from operations to retire existing debt. The ratio is calculated by dividing cash flow by total debt. Cash flow is defined as net income after taxes plus depreciation and non-current deferred taxes.

Standard and Poor's normally assigns an A rating when this ratio is over 20% and AA when it is over 30%. The weighted

industry average is 34.3% before restatement. When the added cash flow from restatement is considered, the weighted industry average is 45.4%.

After restatement to include increased income from the switch to depreciation accounting, all but three of the seventeen railroads exceed the 30% figure. Nine exceed 40%. When data at the holding company level is examined, only one railroad is materially less than 30%: the Chicago and Northwestern at 21.1%.

An examination of the railroads' Cash Flow to Total Debt ratio indicates that most railroads are "Revenue Adequate".

CASH FLOW TO TOTAL DEBT

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
MAJOR COAL HAULERS		

LOUISVILLE & NASHVILLE	18.8%	30.7%
BALTIMORE AND OHIO	24.0%	39.7%
MISSOURI PACIFIC	25.1%	32.8%
BURLINGTON NORTHERN	28.4%	44.0%
WESTERN MARYLAND	28.5%	34.1%
ATCHISON TOPEKA & SANTA FE	33.5%	49.5%
SOUTHERN RAILWAY	39.1%	45.3%
SEABOARD COAST LINE	43.3%	55.3%
UNION PACIFIC	53.4%	68.3%
CHESAPEAKE & OHIO	56.8%	66.4%
NORFOLK & WESTERN	83.0%	97.3%
TOTAL		
AVERAGE	39.4%	51.2%
WEIGHTED AVERAGE	37.0%	49.0%
OTHER MAJOR RAILROADS		

CHICAGO & NORTHWESTERN	5.7%	21.1%
WESTERN PACIFIC	12.0%	24.3%
SOUTHERN PACIFIC	14.9%	24.8%
KANSAS CITY SOUTHERN	28.1%	38.5%
ST. LOUIS SOUTHWESTERN	48.9%	57.8%
DENVER & RIO GRANDE	53.7%	76.0%
TOTAL		
AVERAGE	27.2%	40.4%
WEIGHTED AVERAGE	19.2%	30.8%
OVERALL TOTAL		
UNWEIGHTED AVERAGE	35.1%	47.4%
WEIGHTED AVERAGE	33.4%	45.4%

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
OTHER MAJOR RAILROADS—Continued		
ATCHISON TOPEKA & SANTA FE	33.5%	49.5%
BURLINGTON NORTHERN	28.4%	44.0%
CHICAGO & NORTHWESTERN	5.7%	21.1%
--CSX--		
BALTIMORE AND OHIO	24.0%	39.7%
CHESAPEAKE & OHIO	56.8%	66.4%
WESTERN MARYLAND	28.5%	34.1%
CHESSIE SUBTOTAL	36.4%	46.7%
WEIGHTED AVERAGE	39.3%	51.5%
LOUISVILLE & NASHVILLE	18.8%	30.7%
SEABOARD COAST LINE	43.3%	55.3%
SEABOARD SYSTEM SUBTOTAL	31.0%	43.0%
WEIGHTED AVERAGE	31.6%	43.6%
CSX SUBTOTAL	34.3%	45.2%
WEIGHTED AVERAGE	34.7%	46.8%
DENVER & RIO GRANDE	53.7%	76.0%
KANSAS CITY SOUTHERN	28.1%	38.5%
NORFOLK & WESTERN	83.0%	97.3%
SOUTHERN RAILWAY	39.1%	45.3%
N & S SUBTOTAL	61.0%	71.3%
WEIGHTED AVERAGE	53.5%	62.4%
UNION PACIFIC	53.4%	68.3%
MISSOURI PACIFIC	25.1%	32.8%
WESTERN PACIFIC	12.0%	24.3%
UP SUBTOTAL	30.2%	41.8%
WEIGHTED AVERAGE	33.5%	43.8%
SOUTHERN PACIFIC	14.9%	24.8%
ST. LOUIS SOUTHWESTERN	48.9%	57.8%
SPT SUBTOTAL	31.9%	41.3%
WEIGHTED AVERAGE	20.0%	29.7%
OVERALL TOTAL		
UNWEIGHTED AVERAGE	35.1%	47.4%
WEIGHTED AVERAGE	33.4%	45.4%

Return on Investment

The ICC's use of this ratio as the sole determinant of "Revenue Adequacy" has a number of shortcomings. On a practical

level, one must determine what the investment base is. The debate over which investments are rail related and which are not is difficult to resolve equitably. Further, the net investment base is essentially an artificial number, and use of the "Betterment" accounting methodology has further distorted this investment base for decades. Finally, the investment base contains the "frozen asset base" an artifact of the early 1900's in which a value was assigned to all assets as of a certain year.

What comprises rail related income is another difficult issue. For example, is the telecommunications value of railroad rights of way rail related?

Even a conservative analysis by the ICC staff for 1980¹² estimates that nearly a billion dollars of rail related income was not included in ROI figures as they are currently calculated. A quick look at any railroads' non-rail related ROI shows that it is always dramatically higher. The figures for 1980 show other transportation related income of \$952 million derived from \$3,669 million of assets. This is an ROI of 26% on assets which are currently not counted towards "Revenue Adequacy".

Finally, the comparison of ROI to cost of capital is conceptually flawed. The usual comparison of cost of capital is to Return on Capital. Comparing the cost of capital to the return on an asset base, particularly an artificial one, makes little sense. A firm's capital, on the other hand, is easy to determine. It is simply the amount of debt, deferred taxes and stockholder's equity. Another more common comparison is the Return on Equity to the cost of equity capital. These are real figures which are clearly stated and not subject to manipulation. ROI figures are most often used to determine the worth of making a new capital investment and then, only as one of several determining factors.

In this analysis, Return on Investment was recalculated for

1980, 1981 and 1982 in two ways. The first determines the impact due to the change to depreciation accounting. Net income is increased, and the net investment base is also increased. This change alone caused a near doubling of the ICC's ROI figures. The weighted average of all railroads' ROI's went from 5.2% to 9.0%. In the second instance, deferred taxes were eliminated from the investment base. When ROI was recalculated in this fashion, it more than doubled from 5.2% to 10.5%. While neither of these restated figures is equal to the ICC's cost of capital calculation, they indicate that even by the ICC's standards, the railroads are a great deal more "Revenue Adequate" than is publicly announced.

These restatements included no other adjustments of net railroad operating income or the net investment base. If railroad operating income were to be 50% higher as it was in the ICC's analysis for 1980, then most railroads would be at or near "Revenue Adequate," even by the ICC's own current definitions. A comparison of the ROI figures for the Southern Railroad for 1980 which includes this additional rail related income, indicates that it would become "Revenue Adequate".

The following is a restatement of income and investment base to arrive at new figure for 1980 ROI for the Southern Railroad. Other transportation related income is included, deferred taxes are removed from the investment base and the cost of capital with embedded debt cost is used:

Southern (in millions of dollars)

Original Railroad Operating Revenues	145.8
Added Transportation Related Income	+ <u>110.0</u>
New Revenue	255.9
Less Taxes	- <u>24.4</u>
New Net Railroad Operating Income	
After Taxes	231.5

After Tax Depreciation Adjustment	+ <u>66.6</u>
Fully Adjusted Net Railroad	
Operating Income After Taxes	298.1
Original Net Investment Base	1,563.3
Working Capital and Adjustments	+ 29.1
Transportation Related Investments	+ 514.1
Conversion to Depreciation Accounting	+ <u>38.8</u>
New Net Investment Base	2,145.3
Less Deferred Taxes	- <u>271.9</u>
	1,873.4

ROI including other transportation related income and assets and the conversion to depreciation accounting is

$$\frac{298.1}{2,145.3} = 13.9\%$$

If deferred taxes are removed from the investment base, ROI is

$$\frac{298.1}{1,873.4} = 15.9\%$$

These compare favorably to the ICC's calculation of the Railroad Industry's current cost of capital for 1980 of 12.1%. In both cases the Southern is reclassified as "Revenue Adequate". When the actual cost of capital for the Southern, using its embedded cost of debt, is utilized, the Southern becomes even more clearly "Revenue Adequate".

Cost of equity x % equity	= (.135 x .578) = .078
Cost of embedded debt x % of debt	= (.079 x .421) = .033
Total weighted cost of capital	
using embedded debt	= .111

or 11.1%

RETURN ON INVESTMENT

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
MAJOR COAL HAULERS		
BALTIMORE AND OHIO	2.2%	6.3%
SEABOARD COAST LINE	3.4%	7.9%
BURLINGTON NORTHERN	4.5%	9.3%
ATCHISON TOPEKA & SANTA FE	4.8%	8.0%
WESTERN MARYLAND	5.2%	8.0%
CHESAPEAKE & OHIO	5.6%	9.7%
LOUISVILLE & NASHVILLE	5.7%	9.8%
UNION PACIFIC	6.5%	8.9%
SOUTHERN RAILWAY	6.5%	10.2%
MISSOURI PACIFIC	7.3%	10.4%
NORFOLK & WESTERN	9.3%	13.1%
TOTAL		
AVERAGE	5.5%	9.2%
WEIGHTED AVERAGE	5.7%	9.4%
OTHER MAJOR RAILROADS		
WESTERN PACIFIC	0.0%	5.0%
CHICAGO & NORTHWESTERN	1.3%	10.5%
SOUTHERN PACIFIC	1.8%	4.5%
ST. LOUIS SOUTHWESTERN	4.4%	7.0%
DENVER & RIO GRANDE	7.8%	11.9%
KANSAS CITY SOUTHERN	8.2%	12.1%
TOTAL		
AVERAGE	4.0%	8.5%
WEIGHTED AVERAGE	2.9%	6.8%
OVERALL TOTAL		
UNWEIGHTED AVERAGE	5.0%	9.0%
WEIGHTED AVERAGE	5.2%	9.0%
ATCHISON TOPEKA & SANTA FE	4.8%	8.0%
BURLINGTON NORTHERN	4.5%	9.3%
CHICAGO & NORTHWESTERN	1.3%	10.5%
--CSX--		
BALTIMORE AND OHIO	2.2%	6.3%
CHESAPEAKE & OHIO	5.6%	9.7%
WESTERN MARYLAND	5.2%	8.0%
CHESSIE SUBTOTAL	4.3%	8.0%
WEIGHTED AVERAGE	3.9%	7.9%

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
OTHER MAJOR RAILROADS—Continued		
LOUISVILLE & NASHVILLE	5.7%	9.8%
SEABOARD COAST LINE	3.4%	7.9%
SEABOARD SYSTEM SUBTOTAL	4.5%	8.8%
WEIGHTED AVERAGE	4.5%	8.8%
CSX SUBTOTAL	4.4%	8.3%
WEIGHTED AVERAGE	4.2%	8.4%
DENVER & RIO GRANDE	7.8%	11.9%
KANSAS CITY SOUTHERN	8.2%	12.1%
NORFOLK & WESTERN	9.3%	13.1%
SOUTHERN RAILWAY	6.5%	10.2%
N & S SUBTOTAL	7.9%	11.6%
WEIGHTED AVERAGE	8.1%	11.8%
UNION PACIFIC	6.5%	8.9%
MISSOURI PACIFIC	7.3%	10.4%
WESTERN PACIFIC	0.0%	5.0%
UP SUBTOTAL	4.6%	8.1%
WEIGHTED AVERAGE	6.6%	9.5%
SOUTHERN PACIFIC	1.3%	4.5%
ST. LOUIS SOUTHWESTERN	4.4%	7.0%
SPT SUBTOTAL	3.1%	5.8%
WEIGHTED AVERAGE	2.3%	5.0%
OVERALL TOTAL		
UNWEIGHTED AVERAGE	5.0%	9.0%
WEIGHTED AVERAGE	5.2%	9.0%

RETURN ON INVESTMENT
WITHOUT DEFERRED TAXES

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
MAJOR COAL HAULERS		
BALTIMORE AND OHIO	2.3%	6.7%
SEABOARD COAST LINE	3.8%	8.8%
BURLINGTON NORTHERN	4.9%	10.2%
ATCHISON TOPEKA & SANTA FE	5.7%	9.4%
WESTERN MARYLAND	6.2%	9.6%
LOUISVILLE & NASHVILLE	6.3%	10.7%
CHESAPEAKE & OHIO	7.8%	13.2%

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
MAJOR COAL HAULERS—Continued		
SOUTHERN RAILWAY	8.2%	12.7%
UNION PACIFIC	8.5%	11.5%
MISSOURI PACIFIC	8.8%	12.6%
NORFOLK & WESTERN	12.0%	16.8%
TOTAL		
AVERAGE	6.8%	11.1%
WEIGHTED AVERAGE	6.8%	11.1%
OTHER MAJOR RAILROADS		

WESTERN PACIFIC	0.0%	5.1%
CHICAGO & NORTHWESTERN	1.3%	10.5%
SOUTHERN PACIFIC	2.2%	5.3%
ST. LOUIS SOUTHWESTERN	5.8%	9.1%
DENVER & RIO GRANDE	9.5%	14.2%
KANSAS CITY SOUTHERN	9.6%	14.0%
TOTAL		
AVERAGE	4.7%	9.7%
WEIGHTED AVERAGE	3.4%	7.8%
OVERALL TOTAL		
UNWEIGHTED AVERAGE	6.1%	10.6%
WEIGHTED AVERAGE	6.2%	10.5%
ATCHISON TOPEKA & SANTA FE	5.7%	9.4%
BURLINGTON NORTHERN	4.9%	10.2%
CHICAGO & NORTHWESTERN	1.3%	10.5%
--CSX--		
BALTIMORE AND OHIO	2.3%	6.7%
CHESAPEAKE & OHIO	7.8%	13.2%
WESTERN MARYLAND	6.2%	9.6%
CHESSIE SUBTOTAL	5.4%	9.8%
WEIGHTED AVERAGE	4.6%	9.3%
LOUISVILLE & NASHVILLE	6.3%	10.7%
SEABOARD COAST LINE	3.8%	8.8%
SEABOARD SYSTEM SUBTOTAL	5.0%	9.7%
WEIGHTED AVERAGE	5.0%	9.7%
CSX SUBTOTAL	5.3%	9.8%
WEIGHTED AVERAGE	4.8%	9.5%
DENVER & RIO GRANDE	9.5%	14.2%

RAILROAD	ICC BETTERMENT ACCOUNTING	GAO DEPRECIATION ACCOUNTING
OTHER MAJOR RAILROADS—Continued		
KANSAS CITY SOUTHERN	9.6%	14.0%
NORFOLK & WESTERN	12.0%	16.8%
SOUTHERN RAILWAY	8.2%	12.7%
N & S SUBTOTAL	10.1%	14.7%
WEIGHTED AVERAGE	10.4%	15.0%
UNION PACIFIC	8.5%	11.5%
MISSOURI PACIFIC	8.8%	12.6%
WESTERN PACIFIC	0.0%	5.1%
UP SUBTOTAL	5.8%	9.7%
WEIGHTED AVERAGE	8.3%	11.8%
SOUTHERN PACIFIC	2.2%	5.3%
ST. LOUIS SOUTHWESTERN	5.8%	9.1%
SPT SUBTOTAL	4.0%	7.2%
WEIGHTED AVERAGE	2.8%	6.0%
OVERALL TOTAL		
UNWEIGHTED AVERAGE	6.1%	10.6%
WEIGHTED AVERAGE	6.2%	10.5%

Footnotes

1. Alternative Railroad Return on Investment Computations for 1980. Staff Analysis: Interstate Commerce Commission Bureau of Accounts. Corrected April 22, 1983, page 4.
2. Alternative Railroad Return on Investment Computations for 1980. Staff Analysis: Interstate Commerce Commission Bureau of Accounts. Corrected April 22, 1983, page 4.
3. Alternative Railroad Return on Investment Computations for 1980. Staff Analysis: Interstate Commerce Commission Bureau of Accounts. Corrected April 22, 1983, p. 4.
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Coal Assn. before the Interstate Commerce Commission Ex Parte No. 347 (Sub. No. 1) Coal Rate Guidelines Nationwide.

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11. Interstate Commerce Commission inter-agency Memorandum on Ex Parte No. 393 Standards for Railroad Revenue Adequacy. From Acting Chief, Section of Financial Analysis Ward L. Ginn to Director Young.
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Appendix A

Methodology Used to Restate Income and Net Investment Base Using Depreciation Accounting

Background

This analysis is based on a methodology developed by the U.S. Government Accounting Office (GAO) for its report to Congress entitled "Accounting Changes Needed in the Railroad Industry". The key assumptions and procedures used were developed by GAO staff after consulting with experts at the ICC and within the railroad industry. The GAO wanted to estimate what railroad income would be if railroads used depreciation accounting for track and structure instead of the Retirement Replacement Betterment (RRB) accounting currently used by the railroads. The methodology was designed to utilize publicly available data as reported in the railroad's annual R-1 financial report to the ICC.

In addition to a restatement of income, the figures derived from the application of the GAO methodology were used to restate the net investment base as calculated by the ICC. For example track structure expense now capitalized is added to the net investment base. The adjusted income and investment base

figures were then utilized to restate a number of financial ratios commonly applied by the financial community to analyze the financial health of the railroads. Specifically, Return on Equity, Return on Permanent Capital, Cash Flow to Total Debt and Pretax Fixed Charge Coverage ratios as calculated by Standard and Poors, were restated to reflect the change to depreciation accounting. In addition, Return on Investment as calculated by the ICC was also recalculated to reflect the changes to income and the net investment base.

A sample set of work sheets used in this analysis is attached and is referenced in the following detailed discussion of methodology. In addition, a sample set of worksheets used by Standard and Poors in its bond rating process is also attached. The sheets are complete copies of the worksheets actually used by S&P and were generously shared by them for this analysis. All sources of data are indicated on the work sheets. In general, the source references are to specific line numbers of specific R-1 report schedules.

Restatement of Income

The following assumptions developed by GAO were used to restate income:

- 90 percent of current track structure expenses were capitalized (worksheets 4 and 5).
- The amounts capitalized were depreciated over 30 years on a straight line basis recognizing a salvage value of 25 percent (worksheets 4 and 5).
- The amounts for existing track structure were depreciated over 20 years on a straight line basis

recognizing a salvage value of 40 percent (worksheets 4 and 5).

- The amounts for existing track structure were not restated to reflect use of depreciation accounting in earlier years.
- Federal Income Taxes were applied to increases in net income at the effective tax rate for each railroad (worksheet 4). This assumption differs from the original GAO application of the statutory rate. Discussions with ICC staff and industry financial analysts supported this change as a more accurate reflection of the actual impact of a switch to depreciation accounting.
- Ad valorem taxes were applied to the increases in adjusted net income before taxes at a rate of 2 percent.

The following formula summarizes the restatement procedures as applied on worksheets 4 and 5:

$$A + (1-T) [.9B - (C + D + F)] = G$$

where

A = Net income using Betterment Accounting for track structure as reported to the ICC.

T = Effective tax rate as calculated on line 35 of worksheet 4.

B = Track structure expense for the year as reported under Betterment accounting.

C = Ad valorem taxes on the increase in net income before taxes resulting from the switch to depreciation accounting.

D = Depreciation expense on amounts capitalized

$$\frac{.75 \times .9B}{30}$$

E = Existing track structure assets at the end of the year.

F = Depreciation expense on the existing track structure:

$$\frac{0.6 \times E}{20}$$

G = Net income after taxes using depreciation accounting for the track structure.

Restatement of the Net Investment Base

The net investment base is first calculated using the ICC methodology as shown on worksheets 2 and 8. A summary formula is as follows: $B = A - I - O + WC$
where:

A = The average of beginning and end of year figures for investment in railroad operations property less depreciation.

B = Net Investment Base

I = The average of beginning and end of year figures for interest during construction.

O = The average of beginning and end of year figures for Other Elements of Investment.

WC = Working capital as computed by the ICC (see worksheet 8).

The net investment base is then restated to reflect amounts capitalized under the switch to depreciation accounting on worksheet 3. The exact calculation of the adjustments is contained on worksheet 5.

Restatement of Key Financial Ratios

The key financial ratios used by Standard and Poors and this analysis in determining the revenue adequacy of the railroads are Return on Permanent Capital, Return on Stockholders Equity, Pretax Fixed Charge Coverage and Cash Flow to Total Debt. The Operating Ratio, a less important measure, was not used in this analysis. All ratios were first calculated with original railroad data as reported to the ICC using the Standard and Poors definitions and calculations. These are reflected in the actual S&P worksheets attached. Each ratio was then restated to reflect the changes to income from a switch to depreciation accounting.

- Return on Permanent Capital.

The following formula is used to calculate Return on Permanent Capital as seen on Standard and Poors' worksheet S&P 1:

$$\frac{(A + I + T)}{PC}$$

where:

A = Adjusted net income

I = Interest charges.

T = Taxes

PC = Permanent Capital

(Sum of Average of Beginning and End of Year figures for total debt plus deferred taxes plus stock holders equity.) This figure can also include long term accounts payable to a parent company.

Pretax available income is then restated on worksheet 9 to reflect the net increase from the switch to depreciation accounting as calculated in worksheet 4, line 33.

- Return on Stockholders Equity (ROE).

This figure is used more by equity securities analysts than bond analysts. The following formula is used to calculate Return on Stockholders Equity as seen on worksheets 2 and 7:

$$\frac{N}{E}$$

where:

N = Adjusted net income after taxes.

E = Stockholders equity (Average of Beginning and End of Year figures)

The figures are restated on worksheet 7 to include the addition to net income after taxes to reflect the change to depreciation accounting.

- Pretax Fixed Charge Coverage.

The following formula is used by Standard and Poors to calculate Fixed Charge Coverage as reflected on worksheet S&P 1.

$$\frac{A + I + T}{I}$$

where:

A = Adjusted net income before taxes.

I = Interest charges.

T = Taxes.

The ratio is then recalculated on worksheet 9 utilizing restated pretax net income as calculated in worksheet 4, line 33.

- Cash Flow to Total Debt.

The following formula is used by Standard and Poors to calculate Cash Flow to Total Debt as reflected on worksheet S&P 2.

$$\frac{(N + D + F)}{(S + L + E)}$$

where:

N = Adjusted net income after taxes.

D = Depreciation and retirements.

F = Non Current Deferred Taxes.

S = Short term debt.

L = Long term debt.

E = Equipment Trust Certificate Debt

RAILROAD: Southern

YEAR: 1982

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Worksheet

#1

-
CALCULATIONS FOR RATE OF RETURN ON
NET INVESTMENT AND STOCKHOLDERS EQUITY
ICC METHODOLOGY VS.
GENERALLY ACCEPTED OTHER INDUSTRY ACCOUNTING PRACTICES

SUMMARY

	<u>ICC METHODOLOGY</u>	<u>GENERALLY ACCEPTED METHODOLOGY</u>
Rate of Return on Net Investment	<u>4.30</u>	<u>9.11</u> 7.03
Stockholders Equity	<u>8.77</u>	<u>11.08</u>

RAILROAD: Southern
 YEAR: 1982
 Page 2 of 7 Worksheet
#2

ICC METHODOLOGYRate of Return on Net Investment

<u>Net Investment</u>	<u>1981</u>	<u>1982</u>	<u>Average '81 & '82</u>
Investment in RR Property for Transportation Service less Depreciation (Sch. 352A, L.39 (col.d-col.e))	<u>1,716,569</u>	<u>1,817,126</u>	<u>1,766,847</u>
LESS - Interest during Construction (Sch. 352B, L.43 (Cols b+c+d+e))	<u>19,602</u>	<u>19,581</u>	<u>19,591</u>
LESS - Other Elements of Investment (Sch. 352B, L.47 (Cols b+c+d+e))	<u>43,877</u>	<u>43,877</u>	<u>43,877</u>
Subtotal			<u>1,703,379</u>
PLUS - Working Capital, as computed by ICC			<u>129,593</u>
TOTAL:			<u><u>1,832,972</u></u>

NET RAILWAY OPERATING INCOME:

Income from RR Operations Less Taxes
for Entire Company Operations
(Sch 210, L.69) 78,780

RATE OF RETURN ON NET INVESTMENT CALCULATION:

$$\frac{\text{Net Railway Operating Income}}{\text{Net Investment}} = \frac{78,780}{1,832,972} \times 100 = 4.30\%$$

STOCKHOLDERS EQUITY

Net Income
(Sch 210, L.53, Col.b) 141,534

Net Stockholders Equity
(Sch 200, L.61, Col.b) 1,613,214

RETURN ON STOCKHOLDERS EQUITY CALCULATION:

$$\frac{\text{Net Income}}{\text{Net Stockholders Equity}} = \frac{141,534}{1,613,214} \times 100 = 8.77\%$$

1981 1,556,357 > 1982 1,584,786

8.93

NOTE: Schedule and line items as reported in railroad R-1 report.

RAILROAD Southern
 YEAR 1982
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SUMMARY SHEET
 RATE OF RETURN ON NET INVESTMENT
 - (Generally Accepted Accounting Practices)

Worksheet
 #3

Adjustments to Rate of Return on Net Investment Calculation

	<u>Net Investment</u>	<u>Net RR Operating Income</u>
• Conversion to Depreciation Accounting (Statutory Tax Rate)	<u>22,636</u> ¹² 45,272	<u>23,958</u>
• Elimination of Deferred Taxes from Investment Base (Schd. 200, L.49)	<u>(423,359)</u>	<u>-</u>
• Use of Effective Tax Rate in Depreciation Conversion Instead of Statutory Rate	<u>-</u>	<u>13,310</u>
• Proportioning Income Taxes Instead of Deducting Entire Company Taxes	<u>-</u>	<u>14,466</u>
	378,087	
TOTAL ADJUSTMENTS:	<u>(400,723)</u>	<u>51,734</u>

Re-Calculated Rate of Return on Net Investment

• Original ICC Net Investment	<u>1,832,972</u>	
• Plus - Sum of Adjustments	<u>378,087</u> <u>(400,723)</u>	<u>45,272</u>
• NEW NET INVESTMENT	<u>1,432,244</u>	
	1,454,885	1,878,244
• Original ICC Net Railway Operating Income	<u>78,780</u>	
• Plus - Sum of Adjustments	<u>51,734</u>	
• NEW NET RR OPERATING INCOME:	<u>130,514</u>	
• <u>NEW RATE OF RETURN CALCULATION</u>		

$$\frac{\text{NEW NET RR OPERATING INCOME}}{\text{NEW NET INVESTMENT}} = \frac{130,514}{1,432,244} \times 100 = 9.11\%$$

$$1,454,885 = 8.97\%$$

$$1,878,244 = 6.98\%$$

RAILROAD: Southern
 YEAR: 1952
 DEVELOPMENT OF ADJUSTMENTS TO NET INCOME RESULTING FROM
 SWITCH TO DEPRECIATION ACCOUNTING PER GAO

Page 4 of 7

Worksheet #4

Line No.	Item	Source--Annual Report	Amount
<u>Track Structure Expense</u>			
1	Ties - Running	Sch. 410, L.12, Col.h	8,966
2	Ties - Switching	Sch. 410, L.13, Col.h	769
3	Rail - Running	Sch. 410, L.14, Col.h	4,967
4	Rail - Switching	Sch. 410, L.15, Col.h	769
5	Other Track Material - Running	Sch. 410, L.16, Col.h	5,222
6	Other Track Material - Switching	Sch. 410, L.17, Col.h	1,017
7	Ballast - Running	Sch. 410, L.18, Col.h	578
8	Ballast - Switching	Sch. 410, L.19, Col.h	703
9	Track Laying and Surfacing - Running	Sch. 410, L.20, Col.h	33,456
10	Track Laying and Surfacing - Switching	Sch. 410, L.21, Col.h	2,692
11	Total Track Structure Expense	Sum of L.1 thru L.10	58,659
<u>Ad Valorem Taxes</u>			
12	Road Property - Ties	Sch. 330, L.8, Col.b	17,512
13	Road Property - Rails	Sch. 330, L.9, Col.b	67,137
14	Road Property - Other Track Material	Sch. 330, L.10, Col.b	54,465
15	Road Property - Ballast	Sch. 330, L.11, Col.b	22,449
16	Road Property - Track Laying & Surfacing	Sch. 330, L.12, Col.b	24,386
17	Total Road Property	Sum of L.12 thru L.16	185,968
18	Retirements - Ties	Sch. 412, L.8, Col.c	71
19	Retirements - Rails	Sch. 412, L.9, Col.c	(32)
20	Retirements - Other Track Material	Sch. 412, L.10, Col.c	87
21	Retirements - Ballast	Sch. 412, L.11, Col.c	22
22	Retirements - Track Laying & Surfacing	Sch. 412, L.12, Col.c	111
23	Total Retirements	Sum of L.18 thru L.22	259
24	Expenditures - Ties	Sch. 330, L.8, Col.E	3,472
25	Expenditures - Rails	Sch. 330, L.9, Col.E	3,428
26	Expenditures - Other Track Material	Sch. 330, L.10, Col.E	3,873
27	Expenditures - Ballast	Sch. 330, L.11, Col.E	5,331
28	Expenditures - Track Laying & Surfacing	Sch. 330, L.12, Col.E	4,334
29	Total Expenditures	Sum of L.24 thru L.28	20,438
30	Depreciation on Roadway Assets	$((L.17-L.23+L.29) \times .60) \div 20 \text{ years}$	6,184
31	Depreciation on Amount Capitalized	$((L.11 \times .90) \times .75) \div 30 \text{ years}$	1,319
32	Total Ad Valorem Taxes	$((L.11 \times .90) - L.30 - L.31) \div .02$	905
33	Adjustment to Net Income, Before Income Taxes	$((L.11 \times .90) - (L.32+L.31) + L.30)$	44,367
34	Adjustment to Net Income After Taxes (Statutory Rate)	$(1-.46)(L.33)$	23,953
35	Effective Tax Rate	Sch. 210, L.53 $\div$ L.48	.16
36	Adjustment to Net Income After Taxes (Effective Rate)	$(1-L.35)(L.33)$	57,268
37	Net Adjustment Due to Using Effective Rate	$(L.36) - (L.34)$	13,310

RAILROAD Southern
 YEAR 1982
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DEVELOPMENT OF ADJUSTMENTS TO INVESTMENT
 IN RR PROPERTY FOR TRANSPORTATION SERVICE
 RESULTING FROM SWITCH TO DEPRECIATION ACCOUNTING

Worksheet #5

1. Total Track Structure Expense (Schd. 410, Sum of L.12 thru L.21, Col.h)	<u>58,639</u>
2. Assumed Investment Portion (Per GAO) (L.1) (.90)	<u>52,775</u>
3. Depreciation on New Investment (30 yr. Life, 25% Salvage - per GAO) (L.2) (.75) + 30	<u>1,319</u>
4. Frozen Roadway Asset Base (Schd. 330, Sum of L.8 thru L.12, Col.b+e) -(Schd. 412, Sum of L.8 thru L.12, Col.c)	<u>206,147</u>
5. Depreciation on Frozen Roadway Asset Base (20 yr. life, 40% Salvage - per GAO) (L.4) (.6) + 20	<u>6,184</u>
6. Net Adjustment to Average Investment (L.2 - L.3 - L.5) + 1/2	<u>45,272</u> <u>22,636</u>

RAILROAD Southern
 YEAR 1982
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DETERMINATION OF ADJUSTMENT TO
 NET RR OPERATING INCOME FOR PROPORTIONING
 INCOME TAXES INSTEAD OF DEDUCTING
 ENTIRE COMPANY TAXES

Worksheet #6

1. Net Revenue from Railway Operations (Schd. 210, L.15)	<u>99,162</u>
2. Net Revenue from All Operations (Schd. 210, L.39)	<u>221,065</u>
3. Provision for Income Taxes Based on Total Operations (Schd. 210, L.53)	<u>26,233</u>
4. Proportion of Income Taxes Assignable to Railway Operations ((L.1)+(L.2)) (L.3)	<u>11,767</u>
5. Adjustment to Net RR Operating Income (L.3) - (L.4)	<u>14,466</u>

RAILROAD Southern
 YEAR 1982
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SUMMARY SHEET

RATE OF RETURN ON STOCKHOLDERS EQUITY
 (Generally Accepted Accounting Practices)

Worksheet #7

Adjustments to Net Income

• Conversion to Depreciation Accounting (Statutory Tax Rate):	<u>23,958</u>
• Use of Effective Tax Rate in Depreciation Conversion instead of Statutory Rate	<u>13,310</u>
TOTAL ADJUSTMENTS:	<u><u>37,268</u></u>

Re-calculated Rate of Return on Stockholders Equity

• Original ICC Net Income	<u>141,534</u>
• Plus - Sum of Adjustments	<u>37,268</u>
• NEW NET INCOME	<u><u>178,802</u></u>
• Original ICC Stockholders Equity	<u><u>1,613,214</u></u>
• <u>NEW RETURN ON STOCKHOLDERS EQUITY CALCULATION</u>	

$$\frac{\text{New Net Income}}{\text{Original ICC Stockholders Equity}} = \frac{178,802}{1,613,214} \times 100 = \frac{11.28}{11.28} \%$$

~~1,613,214~~
1,584,786

Worksheet #8

COMPUTATION OF WORKING CAPITAL

RAILROAD: SOU

YEAR: 1982

ACCOUNTS RECEIVABLE

1 Interline & Other Balances (Acct. 705)	Sch 200, L. 5, col. b	8265
2 Customers (Acct 706)	Sch 200, L. 6, col. b	73778
3 Other (Acct 707)	Sch 245, L. 6, col. b	2549
4 Sum of Lines 1 + 2 + 3		84592
5 Railway Operating Revenues	Sch 210, L. 13, col. b	1024371

RENT INCOME

6 Way & Structures	Sch 410, L 121-123, 127-129, 133-135 col h	-1748
7 Locomotives	Sch 410, L 208, 210, 212 col h	-12449
8 Freight Cars	Sch 410, L 227, 229, 231 col h	-91980
9 Other Equipment	Sch 410, L 312, 314, 316 col h	-10862
10 TOTAL	Sum of Lines 6 + 7 + 8 + 9 IGNORE MINUS	117039

11 Total Collections	Sum of Lines 5 + 10	1141410
12 Average Daily Collections	Line 11 / 360 days	3171
13 Equivalent Delay in Days	Line 4 / Line 12	26.68
14 Collection Days including 15 Day Buffer	Line 13 + 15.0	41.68

ACCOUNTS PAYABLE

15 Interline & Other Balances (Acct 752)	Sch 200, L. 31, col. b	2516
16 Audited Accts & Wages Payable (Acct 753)	Sch 245, L. 7	16305
17 Accounts Payable Other (Acct 754)	Sch 245, L. 8	38
18 Other Inc. Taxes Accrued (Acct 761.5)	Sch 245, L. 9	36012
19 TOTAL Operating Liabilities	Sum of Lines 15 + 16 + 17 + 18	54871

20 Railway Operating Expense	Sch 210, L. 14, col. b	925209
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21 Depreciation	Sch 410, L 136 - 138, 213, 232, 317 col h	63208
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22 Retirements	Sch 412, L 35, col. c + Sch 415, L 43, col f	274
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23 TOTAL PAYMENTS	L. 20 + L. 10 minus L. 21 + L. 22	978766
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24 Average Daily Collections	Line 23 / 360 days	2719
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25 Equivalent Delay in Days	Line 19 / Line 24	20.18
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26 Delay Days if negative use 0	Line 14 minus Line 25	21.50
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27 Delay Days Times Daily Payments	Line 26 x Line 24	58449
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28 Cash & Temporary Investment	Sch 200, L. 1 + 2 col b	190294
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29 Cash & Working Capital Used	Lessor of Line 27 & 28	58449
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30 Total Materials & Supplies	Sch 200, L. 12, col. b	85555
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31 Scrap and Obsolete M/S	Sch 245, L. 5, col b	45
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32 Net M/S	Line 30 minus Line 31	85510
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33 Ratio of M/S Used	Sch 245, L. 2, col b / Sch 245, L 4, col b	.8319933
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for Carrier Purposes		
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34 M/S Held for Carrier Purposes	Line 32 x Line 33	71144
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35 Maximum M/S Available for Working Capital	Sch 245, L. 2, col b / two	110463
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36 M/S Available for Working Capital Purposes	Lessor of Line 34 & 35	71144
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37 TOTAL WORKING CAPITAL	Sum of Line 29 + Line 36	129593
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SOUTHERN RAILWAY

WORKSHEET #9

PRETAX FIXED CHARGE COVERAGE
AND RETURN ON PERMANENT CAPITAL

	1980	1981	1982
PRETAX AVAILABLE INCOME	338.7	414.4	298.5
ADJUSTMENT TO PRETAX AVAILABLE FROM LINE 33 WORKSHEET 4	75.7	63.9	44.4
RESTATEd PRETAX AVAILABLE INCOME	414.4	47.8	342.9
INTEREST	74.8	83.2	80.6
PTA/INT (FIXED CHARGE COVERAGE)	5.54	5.75	4.25
PERMANENT CAPITAL	2632.0	2881.8	3063.5
PTA/PC (RETURN ON PERMANENT CAPITAL)	15.74	16.59	11.19

SOUTHERN RAILWAY
CASH FLOW TO TOTAL DEBT

WORKSHEET #10

	1980	1981	1982
S&P ADJUSTED NET INCOME	180.9	212.1	137.8
ADDITION TO ADJUSTED NET INCOME FROM WORKSHEET 8	66.6	51.7	37.3
RESTATEd ADJUSTED NET INCOME	(247.5)	(263.8)	(175.1)
DEPRECIATION & RETIREMENTS	94.2	102.6	102.3
ADDITIONS TO DEPRECIATION FROM WORKSHEETS	7.4	7.4	7.5
RESTATEd DEPRECIATION	(101.6)	(110.0)	(109.8)
NON-CURRENT DEFERRED TAXES	41.3	120.1	118.4
CASH FLOW	390.4	493.9	403.3
TOTAL DEBT	977.5	987.5	890.0
CASH FLOW TO TOTAL DEBT	39.94	50.01	45.31

Standard and Floors Worksheet #1

OPERATING ANALYSIS

COMPANY: SOUTHERN RAILWAY - Corp -

Date	1961	1960	1979	1978	1977
Net Sales	1790.7	1637.7	1467.3	1260.7	1161.4
Pretax Income	330.9	263.9	222.1	120.5	151.2
Tax Rate	35.9	31.4	28.0	29.6	29.2
Net Income	215.1	180.9	160.6	127.3	107.1
FIXED CHARGE COVERAGE:					
After Income Tax	3.55	3.42	3.35	3.05	2.84
Before Income Tax	4.98	4.53	4.27	3.92	3.60
Before Incl. Rents	4.16	4.24	4.00	3.58	3.28
Net Income	212.1	180.9	160.6	127.3	107.1
Adjustments:					
Minority Interest					
Unremitted Equity Income					
Adjusted Net Income	212.1	180.9	160.6	127.3	107.1
Interest Charges	83.2	74.2	68.3	62.0	59.2
Available	295.3	255.7	228.0	189.3	165.3
Taxes	118.8	83.0	62.5	53.6	44.1
Pretax Available	414.1	338.7	291.4	242.9	209.4
Rentals	7.2	6.7	6.2	8.1	8.2
Interest Charges	83.2	74.2	68.3	62.0	59.2
Gross Charges	90.4	80.9	74.5	70.1	67.4
Adjusted Net Income	212.1	180.9	160.6	127.3	107.1
Taxes	118.8	83.0	62.5	53.6	44.1
Available	421.3	345.4	297.6	251.0	217.6
OPERATING ANALYSIS:					
E10	1451.2	% 1345.5	% 1203.9	% 1049.4	% 952.4
Oper. Income/Net Sales	1756.7	81.0 1637.7	82.2 1467.3	82.8 1260.7	83.4 1161.4
Return on Permanent Capital	414.1	4.4 338.7	4.2 291.4	4.0 242.9	3.8 209.4
Total Exp./Rev.	760.1	37.4 616.4	37.6 527.1	35.9 448.0	36.4 415.3
Revenue Non-Misc	1790.7	37.4 1637.7	37.6 1467.3	35.5 1260.7	36.4 1161.4
Reimbursable Expenses (billions)	53.0	54.6	54.6	51.3	40.3
Maintenance	53.2	54.6	54.6	51.3	40.3
Expenditure	1756.7	1637.7	1467.3	1260.7	1161.4
Finished Goods/Net Sales	1.2 m.	1.2 m.	1.2 m.	1.2 m.	1.2 m.
Cost (millions)	47.2	56.5	241	339	32
KCW	222.2	15.1 180.9	17.2 160.6	18.3 127.3	18.3 107.1
Return on Equity	212.1	15.1 180.9	17.2 160.6	18.3 127.3	18.3 107.1
Income	515.0	45.3 420.3	40.7 371.2	37.1 327.2	37.1 327.2

LIQUIDITY ANALYSIS

Standard and Poors
Worksheet #2COMPANY: Southern + subsidiaries

Date	1981	1980	1979	1978	1977	
LIQUIDITY ANALYSIS:						
Acid Test						
Current Ratio						
STD/Current Assets						
Cash Flow/LTD	434.8 900.8	316.4 894.5	286.7 841.5	775.5 775	267.6 30.0	267.6 738.7
Cash Flow/Total Debt	434.8 987.5	316.4 977.5	286.7 719.8	775.5 847.9	30.0 21.5	738.7 809.4
Free Cash Flow/Current Mat.						
Free Cash Flow/LTD + Current Mat.						
Working Capital/LTD						
NTA/LTD						
Net Equity	1326.8	1241.2	1108.9	942.3	866.6	
Equity as % of LTD	778.2	749.6	166.7			
Long term deprec.	76.1	64.2	67.7	55.2	55.2	
Ex. acct. maturity	80.1	75.5	66.5	55.2	55.2	
CASH FLOW DATA:						
Adjusted Net Income	212.1	180.9	160.6	127.3	107.1	
Depreciation	102.6	94.3	92.6	77.4	74.6	
Non-Current Deferred Taxes	120.1	41.3	33.5	28.1	23.7	
Cash Flow	434.8	316.4	286.7	232.8	267.6	
Cash Flow						
Minus: Replacement Deprec.						
Minus: Other Fixed Outlays						
Free Cash Flow						
NET TANG. ASSETS:						
Total Assets						
LESS: Intangibles						
Deferred Chgs.						
Current Liab.						
Non-Cur. Def. Taxes						
Minority Interest						
Other LT. Liabilities						
TOTAL NET TANGIBLE ASSETS						

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Standard and Poors
Worksheet #3

CAPITALIZATION ANALYSIS

COMPANY Sutton & Subsidiaries

Date	1981	1980	1977	1979	1977	
CAPITALIZATION:						
STD/Total Debt + Equity	86.7 % 2476.2 3.5	83.0 % 2319.8 3.6	78.3 % 2138.1	72.4 % 1952.5 3.7	75.7 % 1827.1 3.9	
LTD LTD + Equity	900.8 2389.5 37.7	894.5 2236.8 40.0	891.5 2059.8 40.9	775.0 1880.1 41.2	734.7 1726.4 41.1	
Total Debt/Total Debt + Equity	987.5 2476.2 39.9	977.5 2319.8 42.1	919.8 2138.1 43.0	847.4 1952.5 43.4	827.4 1827.1 45.3	
Total Debt - ^{79% LTDs} ~~987.5~~ / Total Debt + ^{73% LTDs} ~~987.5~~ + Equity			969.4 2137.7 44.3	912.5 2017.3 45.2	827.5 1827.1 45.3	
Total Liab. Tang Net Worth						
Cases	291.6	305.2	320.8	251.7	196.9	
Deferred Taxes	543.9					
SHORT-TERM DEBT						
Current Maturities			78.3			
Permanent Wedge STD						
Other STD						
Total Short-Term Debt	86.7	83.2	78.3	72.4	75.7	
LONG-TERM DEBT						
Mortgage Secured LTD			253.9			
Unsecured LTD ^{Equity}			59.5			
Capitalized Rents			30.4			
Subordinated LTD						
Total Long-Term Debt	900.8	894.5	841.5	775.0	734.7	
FF BAL SHEET LIAB.						
External Debt of Captive Fin. Subs.						
Guarantees						
Take or Pay Contracts						
Outright & Deficiency						
Unfunded Vested Benefits						
Capitalized Rents						
TOTAL OFF BAL. SHEET LIAB.						

* % - Percentage of total off balance sheet liabilities.

Appendix B

Comparison of ICC Depreciation Methodology
to GAO Depreciation Methodology
for 1980

The ICC has developed a very detailed methodology for the switch to depreciation accounting. The method develops a restated asset base which is then depreciated. The asset base is restated to reflect the original costs of labor and materials for track and structures for each year. The average remaining life and salvage value are estimated from historical experience. Thomas Dyer, Inc. has developed a computerized restated track and structure data base for the ICC. In the actual switch to depreciation accounting, the ICC has decided (Decision No. 36988 Alternative Methods of Accounting for Railroad Track Structure) to require railroads to choose among three alternatives. They may follow a similar methodology to that used in the Dyer system, use the system directly or develop their own method which must be approved by the ICC.

ICC staff has prepared an analysis of the impact on Railroad Return on Investment Computation, of switching to depreciation accounting. The analysis which is for 1980 only is based on the Dyer data base and ICC methodology. It reflects as accurately as possible the changes to railroad operating expenses given the switch to depreciation accounting.

As a cross check on this GAO based analysis, changes to pretax railroad operating income as calculated by the ICC staff were compared to changes calculated using the GAO based methodology. The results of this comparison are shown in the table on page B-3. The GAO based figures are, with only two exceptions, higher than the ICC figures. The average difference was 19% higher, with a range from zero difference to 65%

difference. Thirteen of the seventeen railroads were 30% different or less, eight of the railroads were 22% different or less.

COMPARISON OF ICC DEPRECIATION METHODOLOGY
TO GAO DEPRECIATION METHODOLOGY FOR 1980

RAILROAD	ICC ESTIMATE	GAO ESTIMATE	GAO-ICC DIFFERENCE	%
AT&SF	101.1	123.4	22.3	22.1%
BN	207.1	208.4	1.3	0.6%
B&O	53.5	65.4	11.9	22.2%
C&O	40.4	49.3	8.9	22.0%
WMD	3.4	3.4	0.0	0.0%
SCL	51.0	70.2	19.2	37.6%
L&N	47.6	63.6	16.0	33.6%
C&NW	58.1	73.9	15.8	27.2%
D&RG	15.9	21.6	5.7	35.8%
KCS	15.1	18.1	3.0	19.9%
N&W	56.2	68.9	12.7	22.6%
SOU	58.3	75.7	17.4	29.8%
SOPAC	46.8	60.8	14.0	22.9%
SLSW	19.2	17.9	(1.3)	-7.0%
UNPAC	86.9	112.9	26.0	29.9%
MOPAC	81.9	88.6	6.7	8.2%
WEPAC	6.0	9.9	3.9	65.0%
	948.5	1132.0	183.5	19.3%

Appendix C

Comparison of Pretax Earnings Impact of
Change to Depreciation Accounting
Using Dean Witter Reynolds Methodology
and that of GAO

The GAO based methodology figures for pretax earnings were also compared to figures developed by an analysis done by the widely regarded financial analyst Mr. Jack Kawa of Dean Witter Reynolds. The comparison is more difficult to make because Mr. Kawa's figures are reported as a consolidated impact on the holding company level. The following lists the assumptions used by Mr. Kawa and compares them to the GAO based methodology:

1. 50% of current RRB track structure expenditures would be expensed. (The GAO methodology assumes only 10%.)
2. A 25 year amortization period for existing and new track structures was assumed. (The GAO based methodology assumes a 30 year period for new track structures and a 20 year period for old.)
3. Minimal residual value was assumed. (The GAO based methodology assumes a 25% salvage value for new track structure and a 40% salvage value for existing track structure.)

In most cases the impact as estimated by Mr. Kawa was substantially understated when compared to the estimates developed using the GAO based methodology. The average difference was approximately 94% while the range was from 7% to 480% difference. Nine holding companies' figures were developed

for each of three years. There were, therefore, 27 years of data compared. Of the 27 years' data, in 13 years the figures were 45% different or less.

COMPARISON OF PRETAX EARNINGS IMPACT
OF CHANGE FROM BETTERMENT ACCOUNTING TO
DEPRECIATION ACCOUNTING USING DEAN WITTER REYNOLDS'
METHODOLOGY AND THAT OF THE GAO

RAILROAD	DEAN WITTER REYNOLDS' METHODOLOGY	GAO METHODOLOGY	DIFFERENCE GAO-DWR	DIFFERENCE AS A % OF DWR
CSX				
1980	173	251	78	45%
1981	214	294	80	37%
1982	183	248	65	36%
NS				
1980	112	145	33	29%
1981	127	147	20	16%
1982	114	128	14	12%
BN				
1980	145	208	63	43%
1981	172	241	69	40%
1982	141	280	139	99%
CN				
1980	48	74	26	54%
1981	44	47	3	7%
1982	42	38	<4>	<9%>
KC SOU				
1980	13	18	5	38%
1981	13	20	7	54%
1982	12	22	10	83%
RG IND				
1980	10	27	17	170%
1981	14	31	17	121%
1982	8	22	14	175%
SF IND				
1980	61	123	62	102%
1981	73	124	51	70%
1982	22	79	57	260%
SO PAC				
1980	54	61	7	13%
1981	71	91	20	28%
1982	42	86	44	105%
UP				
1980	72	212	140	194%
1981	70	242	172	246%
1982	29	168	139	480%

Appendix D

Annual Data by Individual Railroad

1980 CONSOLIDATION RAILROAD	ROE	ROE-ADJ	ICC CF/TO	GAO CF/TO	ICC ROC	GAO ROC	ICC FCC	GAO FCC	ICC ROI	GAO ROI	ICC/ROI ADT	GAO/ROI ADT
ATCHISON TOPEKA & SANTA FE	10.42	16.32	42.32	58.52	10.22	15.02	5.22	7.22	7.22	10.42	8.42	12.42
BALTIMORE AND OHIO	4.12	9.32	18.42	30.32	5.32	10.62	2.12	4.02	3.32	6.22	4.12	7.32
BURLINGTON NORTHERN	9.52	16.42	24.22	38.32	8.22	14.12	3.22	5.22	4.22	9.22	5.02	9.22
CHESAPEAKE & OHIO	9.62	9.22	34.42	37.42	12.42	15.32	6.22	3.52	6.22	9.22	3.22	11.22
CHICAGO & NORTHWESTERN	0.32	145.22	5.22	27.22	8.42	28.32	0.22	2.22	3.22	16.22	3.62	16.22
DENVER & RIO GRANDE	10.22	14.22	19.22	27.02	12.22	17.22	6.22	2.42	7.22	11.22	10.22	12.22
KANSAS CITY SOUTHERN	15.22	24.22	28.22	24.42	12.22	17.22	3.52	3.52	7.22	11.22	8.02	10.22
LOUISVILLE & NASHVILLE	7.02	17.22	14.22	24.42	4.22	11.22	1.22	2.22	3.22	9.22	5.22	10.22
MISSOURI PACIFIC	15.22	23.22	19.22	26.62	11.22	15.62	1.22	4.32	3.22	11.22	9.22	12.22
NORFOLK & WESTERN	15.22	23.22	32.42	76.22	17.22	20.12	11.22	13.22	9.22	11.22	11.22	14.22
SEABOARD COAST LINE	11.22	16.22	36.22	49.02	10.62	14.32	3.42	4.22	6.22	10.22	7.42	11.22
SOUTHERN PACIFIC	4.52	8.32	14.12	21.12	4.22	7.12	1.52	2.22	2.22	4.22	3.12	5.22
SOUTHERN RAILWAY	13.22	18.62	32.32	40.42	12.22	15.22	4.52	5.52	7.22	12.22	9.52	14.22
ST. LOUIS SOUTHWESTERN	7.22	12.12	31.22	40.12	7.22	10.02	3.11	4.34	5.22	8.02	7.42	10.12
UNION PACIFIC	7.22	11.22	54.22	71.22	10.62	14.22	4.22	6.84	7.32	10.52	9.22	13.22
WESTERN MARYLAND	6.42	9.42	19.52	23.32	8.32	9.32	2.22	2.22	4.22	6.32	4.32	7.32
WESTERN PACIFIC	27.22	68.22	16.02	26.42	14.22	24.32	1.22	2.22	3.12	11.22	3.12	11.22

1981 CONSOLIDATION RAILROAD	ROE	ROE-ADJ	ICC CF/TO	GAO CF/TO	ICC ROC	GAO ROC	ICC FCC	GAO FCC	ICC ROI	GAO ROI	ICC/ROI ADT	GAO/ROI ADT
ATCHISON TOPEKA & SANTA FE	6.22	13.32	32.32	51.52	6.22	11.42	2.22	4.22	5.02	8.22	5.22	10.22
BALTIMORE AND OHIO	8.32	14.32	35.62	50.32	5.12	10.52	2.04	4.16	2.42	6.22	2.42	7.42
BURLINGTON NORTHERN	10.22	16.32	35.32	50.12	11.22	17.52	3.22	5.81	4.32	9.22	4.22	10.22
CHESAPEAKE & OHIO	12.02	15.02	49.02	82.22	12.42	16.02	4.22	8.22	5.32	11.22	7.32	15.22
CHICAGO & NORTHWESTERN	21.22	65.32	13.02	25.52	12.12	22.32	1.19	2.23	3.32	11.42	3.32	11.42
DENVER & RIO GRANDE	11.22	18.32	44.22	73.32	13.62	20.22	7.22	11.14	11.42	17.32	14.22	22.02
KANSAS CITY SOUTHERN	16.12	25.22	30.22	41.32	13.42	18.62	2.22	4.12	10.32	14.22	12.52	17.32
LOUISVILLE & NASHVILLE	14.42	22.62	28.22	39.62	12.22	18.12	3.32	4.22	6.22	11.22	7.22	12.32
MISSOURI PACIFIC	16.42	24.22	29.22	38.22	12.22	17.12	3.06	4.22	9.02	11.22	9.22	14.22
NORFOLK & WESTERN	17.22	20.02	96.22	108.22	20.32	23.22	13.06	15.03	10.62	13.22	13.32	17.22
SEABOARD COAST LINE	12.22	16.22	44.22	54.22	10.32	15.22	3.63	4.68	2.12	3.12	2.32	9.02
SOUTHERN PACIFIC	2.22	3.22	16.32	29.02	5.22	9.12	2.03	3.16	6.22	9.42	7.42	11.02
SOUTHERN RAILWAY	14.12	17.52	43.22	49.22	14.42	16.52	4.22	5.22	7.22	11.62	9.22	14.52
ST. LOUIS SOUTHWESTERN	16.42	20.22	49.22	79.32	15.22	18.22	3.32	10.22	3.82	7.22	5.02	10.22
UNION PACIFIC	10.22	14.22	70.42	86.02	10.22	14.62	3.32	5.32	7.42	9.22	9.22	13.22
WESTERN MARYLAND	9.32	12.32	36.02	41.32	12.32	15.22	3.22	4.22	5.22	6.32	6.32	10.42
WESTERN PACIFIC	20.32	61.02	18.32	30.32	19.52	29.22	2.32	3.52	9.02	4.42	0.02	4.52

1982 CONSOLIDATION RAILROAD	ROE	ROE-ADJ	ICC CF/TO	GAO CF/TO	ICC ROC	GAO ROC	ICC FCC	GAO FCC	ICC ROI	GAO ROI	ICC/ROI ADT	GAO/ROI ADT
ATCHISON TOPEKA & SANTA FE	3.22	7.22	26.22	30.22	4.22	7.22	2.22	2.22	2.22	6.22	3.22	3.22
BALTIMORE AND OHIO	3.22	7.22	26.22	30.22	4.22	7.22	1.22	2.22	2.22	6.22	3.22	3.22
BURLINGTON NORTHERN	3.22	7.22	26.22	30.22	4.22	7.22	1.22	2.22	2.22	6.22	3.22	3.22
CHESAPEAKE & OHIO	3.22	7.22	26.22	30.22	4.22	7.22	1.22	2.22	2.22	6.22	3.22	3.22
CHICAGO & NORTHWESTERN	3.22	7.22	26.22	30.22	4.22	7.22	1.22	2.22	2.22	6.22	3.22	3.22
DENVER & RIO GRANDE	3.22	7.22	26.22	30.22	4.22	7.22	1.22	2.22	2.22	6.22	3.22	3.22
KANSAS CITY SOUTHERN	3.22	7.22	26.22	30.22	4.22	7.22	1.22	2.22	2.22	6.22	3.22	3.22
LOUISVILLE & NASHVILLE	3.22	7.22	26.22	30.22	4.22	7.22	1.22	2.22	2.22	6.22	3.22	3.22
MISSOURI PACIFIC	3.22	7.22	26.22	30.22	4.22	7.22	1.22	2.22	2.22	6.22	3.22	3.22
NORFOLK & WESTERN	3.22	7.22	26.22	30.22	4.22	7.22	1.22	2.22	2.22	6.22	3.22	3.22
SEABOARD COAST LINE	12.22	16.22	44.22	54.22	10.32	15.22	3.63	4.68	2.12	3.12	2.32	9.02
SOUTHERN PACIFIC	3.22	7.22	26.22	30.22	4.22	7.22	1.22	2.22	2.22	6.22	3.22	3.22
SOUTHERN RAILWAY	8.22	11.22	40.22	45.22	9.22	11.22	3.22	4.22	4.22	6.22	5.22	9.22
ST. LOUIS SOUTHWESTERN	8.22	9.22	47.22	55.02	8.22	9.22	4.22	4.22	4.02	5.22	5.22	7.12
UNION PACIFIC	6.22	9.42	36.62	47.22	6.52	9.02	4.62	6.50	4.42	6.22	5.22	7.42
WESTERN MARYLAND	10.12	12.42	32.22	38.12	15.42	17.22	4.22	5.22	5.22	9.02	7.12	11.12
WESTERN PACIFIC	0.02	26.32	1.42	15.62	2.22	12.32	0.34	1.42	0.02	0.62	0.02	0.62

LACK OF COMPETITION OR VIABLE ALTERNATIVES

Senator D'AMATO. I might say that your equivocation with respect to what has been taking place, you know——

Mr. BAGGE. I was not attempting to equivocate. [Laughter.]

I was attempting to, if anything, to dramatize the absolute madness of the policies, the mindless policies being pursued by the ICC.

Senator D'AMATO. No one will ever accuse you, Carl, of being a man of understatement.

Mr. BAGGE. Well, I do not want to be accused of overstating it, either, Mr. Chairman. What I am saying is that the public is bearing the cost of the ICC's mindless refusal to implement the provisions of the Staggers Rail Act that was intended to protect captive shippers.

Senator D'AMATO. One quick question. You implied that where there is competition, meaning rail competition or viable alternatives to rail, that the rates are then competitive; where there is none, sole source method distributing being the only method available, that you find a different situation. Is that what you believe?

Mr. BAGGE. Yes, I do. In fact, I allege that, that what we have here is a situation where my people who are totally captive—and 65 percent of all the coal produced in this Nation of ours moves by rail. Of that, 85 percent is totally captive to a single rail carrier.

And what I am alleging is that in those situations where there is no competition, we have no bargaining power whatever. The utility that eyeballs one of my people for 30 years to make a commitment——

Senator D'AMATO. And do you then find a cost increase disproportionate——

Mr. BAGGE. Yes.

Senator D'AMATO [continuing]. to the recovery of the operating, maintenance, and capital——

Mr. BAGGE. Exactly.

Senator D'AMATO [continuing]. repayment in that system going above——

Mr. BAGGE. Exactly, and that's not what Congress——

Senator D'AMATO [continuing]. taking advantage of the fact that there is no other alternative, is that what you are saying?

Mr. BAGGE. That is what I am alleging. That is exactly true, and we can document that.

Senator D'AMATO. Now, can you document, where there are alternative sources, whether it be by way of water, et cetera, that the price differential then is——

Mr. BAGGE. Where we are blessed with access to water, now we do have some modicum of competition. That is only in the eastern part of the United States. In that situation, we find the largest coal-carrying railroad, the CSX System, is seeking to acquire the largest water carrier, the ACBL Barge System.

That case is also pending before the ICC, and I respectfully submit that I do not take a great deal of comfort from the present Commission looking at that thing in terms of protecting the public interest and maintaining even a modicum of competition where we have access to water.

We tried, Senator, to get a slurry pipeline bill enacted in this Congress in order to provide competition so there was some alternative, and I must say that we were rolled on the House floor by a 53-vote margin.

The railroads do not tolerate competition. Where it is proposed, the railroads kill it, as they did in the slurry pipeline situation. Where it exists, they seek to acquire it. And meanwhile, they are merging with each other and we are having less and less intramodal competition.

When the Conrail system had the temerity to lower a coal rate, a coal export rate, to make the Port of Philadelphia competitive, the CSX System simply canceled their joint rates and through routes with Conrail, so that Conrail could not compete, in order to maintain their feudal fiefdoms and to keep my guys, who are on the CSX System, captive to them and not being able to take advantage of a joint and through rate that would have afforded them a lower export rate on coal to the Port of Philadelphia.

I think it is absolutely outrageous that Congress can sit here and tolerate a situation that denies the benefits of intramodal competition where it does exist.

Senator D'AMATO. If you would like to submit any other examples of those kinds of situations to this committee and also to my subcommittee, the Subcommittee on the Legislative Branch, we would welcome it.

Mr. BAGGE. I would be delighted to submit all of the data we have to justify what I just said to you.

Senator D'AMATO. Good.

Mr. BAGGE. Thank you very much, Senator.

Senator D'AMATO. Thank you. We will now proceed with our next witness, Mark J. Andrews of the Transportation Lawyers Association.

TRANSPORTATION LAWYERS ASSOCIATION

STATEMENT OF MARK J. ANDREWS, CHAIRMAN, LEGISLATIVE COMMITTEE

Mr. ANDREWS. Good morning, Senator.

Senator D'AMATO. Do you have a statement for the record?

Mr. ANDREWS. Yes; we have a statement.

Senator D'AMATO. We will insert your statement into the record as if read in its entirety.

Mr. ANDREWS. Fine. I will not read it.

We share the concern of the last two witnesses with regard to the abdication of responsibility by the ICC. We, however, are concerned that this abdication of responsibility extends across the board to all the areas that the ICC regulates, and not just rail but the trucking industry as well.

We would like to commend this subcommittee for having taken the lead on this side of Congress in asking the ICC the hard questions about what it is doing and what it is not doing, and we would urge you to keep that up.

Our organization, composed of transportation lawyers across the country, is extremely perplexed with the current situation at the ICC, where we have these laws in place but the agency behaves as if they were not there. We share the frustration of this subcommittee with that situation.

We are concerned, however, that if the subcommittee follows through with proposals we have heard to take substantial sums of money away from the ICC for being a do-nothing Commission, the result of that is that the Commission will do even less. We are concerned that the enforcement program, about which the GAO has expressed concern recently, would be further crippled and there would be no prospect of bringing it back.

We are concerned that a cap on the membership of the ICC would simply freeze in place the current ICC majority that has been in charge during the past several years, when the complaints about that agency's performance have proliferated.

Last year when we appeared before this subcommittee, we supported the idea that the Commission should be appropriated at least enough money to carry out the Commission's responsibility under existing law. We were concerned that the appropriation process not be used as a vehicle for backdoor deregulation by cutting the ICC's funding below that minimum.

[The statement of Mr. Andrews follows:]

STATEMENT OF MARK J. ANDREWS

On behalf of the Transportation Lawyers Association (TLA), let me express our appreciation for this opportunity to comment on the proposed budget of the Interstate Commerce Commission (ICC) for fiscal 1985.

TLA, formerly the Motor Carrier Lawyers Association, is a specialized bar association founded in 1937. This nonprofit organization has approximately 500 active members in the United States and Canada who represent transportation firms and their customers before the ICC, other state and federal regulatory bodies and the courts. Through publications and two continuing legal education programs each year, TLA strives to help its members discharge their professional responsibilities to clients. To an ever-increasing extent, this educational function requires TLA to monitor legislative developments and to observe the manner in which the ICC is administering, or failing to administer, the surface transportation regulatory reform legislation passed in 1980 and subsequent years.

A major concern of TLA since 1980 has been what seems to be an ever-widening gap between Congressional intent and ICC policy with regard to implementation and enforcement of the 1980 reform legislation. While that legislation was intended to occupy "a middle ground between continuing the status quo on the one hand, and total deregulation on the other hand,"^{1/} the ICC increasingly has seemed bent on trivializing the regulatory restraints that Congress retained, by reducing its scrutiny of the surface transportation industries and by resolving all policy issues in favor of noninterference with the "free market." While transportation lawyers like other citizens may hold widely differing views on whether a totally "free market" is desirable or even possible in the surface transportation industries, both lawyers

^{1/} See e.g., S. Rep. No. 641, 96th Cong. 2d Sess. 1-2 (1980) (Motor Carrier Act of 1980, Pub. L. 96-296).

and clients in those industries face obvious ethical problems when a regulatory statute is still in place but the agency sworn to enforce that statute behaves as if it isn't there.

Thus, TLA has joined motor carrier groups, shipper groups, labor unions, owner-operator organizations, academic observers and others in apprising Congress of the ICC's apparent refusal or failure to enforce either the limited rate and entry controls retained by the 1980 Motor Carrier Act or the common carrier obligation which that act preserved without change. After initially sharing its concerns with the authorizing committees of both Houses at oversight hearings, TLA last year appeared as well before this Subcommittee. TLA took that step when it became apparent that the ICC, or at least its majority, was supporting a fiscal 1984 funding and staffing level which the agency's own Chairman believed inadequate to carry out ICC functions mandated by current law.

TLA's 1983 testimony before this Subcommittee detailed the ways in which the ICC, in our view, was refusing, or failing to carry out Congressional mandates. In order that the ICC would not be able to use "the excuse of insufficient funding for its failure to enforce the law as written," TLA urged an increase over the \$58.0 million proposed by the ICC for fiscal 1984.^{2/} Ultimately, the Conference Committee and both Houses agreed with us to the extent of appropriating \$60.0 million for that fiscal year. As part and parcel of TLA's request for adequate funding of the ICC, we had urged that specific directives be given the ICC in order to ensure that the funds would be spent as Congress intended. This Subcommittee, however, deemed it sufficient to include the following in its report:

The increase is provided in order to insure that the Commission fully performs the responsibilities under existing law. The Committee does not intend that

^{2/} "Statement of ... Motor Carrier Lawyers Association before the Senate Appropriations Committee..." (April 26, 1983), at 11-12.

the Commission be steered toward less oversight by diminution of personal resources.

Subsequently, the level of public, Congressional and industry dissatisfaction with the ICC's "enforcement" of the 1980 reform statutes has continued to grow. This dissatisfaction has been widely reported, along with the increasing degree of internal dissension within the ICC.^{3/} Understandably, therefore, the ICC's performance is becoming a source of increasing frustration, which in turn is stimulating proposals for drastic cuts in ICC appropriations as an expression of Congressional displeasure.^{4/} The proposals being floated include a 25 percent across-the-board reduction in ICC funding, and imposition of a ceiling on ICC membership at a level below the existing statutory complement of seven commissioners.

We would respectfully suggest, however, that these methods are likely to be self-defeating if the primary objective is still to compel implementation of the recent regulatory reform statutes as written. Limiting ICC membership to three, or even five, will simply freeze in place the three-member majority which, evidently, has been in charge during the period in which public discontent with the agency has proliferated. A deep, across-the-board budget cut will not just affect those areas where the existence of excessive spending has been suggested (e.g., Commissioners' personal staffs); in addition it is likely to damage valuable ICC programs -- such as the gathering of transportation industry financial data which will be vital to any future legislative debate about further deregulation, and the enforcement functions which the General Accounting Office has

^{3/} See, e.g., "ICC Chairman Taylor Again Displays Depth of Rift Between Commissioners," Traffic World, April 16, 1984 (Weekly ed.), at 46-47.

^{4/} Ibid.

determined would be difficult for any other agency to assume satisfactorily.^{5/}

What is really needed, in our estimation, is careful scrutiny of individual ICC programs and activities. While reductions should be made where warranted, increases may be necessary in other areas such as enforcement. Those increases should be targeted to the areas intended by Congress, and this intent should be expressed either through mandatory language in the Committee's report or -- preferably -- in the appropriations bill itself. For example, all or a stated portion of the appropriation for the entire agency -- or for the Commissioners' offices -- could be conditioned upon adoption of a definitive enforcement policy by a date certain, and (as we suggested last year) upon institution and timely completion of rulemaking proceedings to establish meaningful common-carrier rate and service standards.

Some may object that anything the Appropriations Committees might do in this area would improperly trench upon the domain of the authorizing committees. We would suggest, however, that the absence of such conditioning language may well be interpreted by the present Commission majority as signaling Congressional acquiescence in that majority's misreading of the reform statutes as "total deregulation" statutes. Moreover, it has been our observation that the authorizing committees -- at least on the House side -- share in the widespread current concern about the ICC's nonfeasance. While some members of the Senate Commerce Committee may be more inclined toward "total deregulation," we would hope even they might agree that the present level of dissension and indirection at the ICC is contrary to the public interest.

What this Subcommittee may be faced with at the ICC is a new

^{5/} "Statement of Oliver W. Kreuger [GAO]... on The Interstate Commerce Commission's Enforcement Program," presented before the House Transportation Appropriations Subcommittee on February 22, 1984, at 10-13.

variant of impoundment. Whereas impoundment in its traditional form involved an intentional refusal to spend appropriated funds, what we seem to have here is a "program impoundment" -- i.e., the agency expends the funds allotted, but in a trivialized manner seemingly calculated to subject its activities to public criticism and even ridicule. However, if this Subcommittee responds by simply throwing up its hands in disgust and making deep, across-the-board cuts in the ICC's budget, we are concerned that there will be no meaningful regulatory or enforcement capability left at the ICC. This result would play into the hands of those at the ICC, and elsewhere, who have never been satisfied with the moderate, balanced approach to deregulation taken by Congress in recent years. TLA therefore reaffirms the position it took last year, i.e., that Congress not only should appropriate sufficient funds for enforcement of the law as written, but also should insist that such enforcement take place. In particular, Congress should insist on three fundamentals:

- (1) There must be a clearly stated ratemaking standard which prohibits rates unrelated to carrier and owner-operator costs and defines what constitutes an unlawfully predatory or discriminatory rate.
- (2) There must be a meaningful entry standard that treats the "public need" and "convenience and necessity" issues in cases where they apply, and treats the "fitness" issue in every case, as the serious matters Congress intended rather than as exercises in paper-shuffling.
- (3) There must be an effective, and adequately enforced, common-carrier obligation under which considerations of carrier convenience are tempered by the public interest in such matters as preventing discrimination and fostering small-community service.

NEED FOR MORE OPEN MEETINGS

Senator D'AMATO. You know that is not the intention of this committee, Chairman Andrews, or any of the other members. But rather, there is obviously a healthy concern with regard to the activities of the Commission and, more importantly, whether or not they are conducting themselves in accordance with the law. And let me ask you a question.

Mr. ANDREWS. Sure.

Senator D'AMATO. The committee has received testimony and information that the conduct of the ICC in conducting its meetings is not in accordance with sunshine provisions and requirements. We have heard that so-called open sessions have not been used, that an excessive number of decisions have been made in camera, and that other proceedings have not been conducted in accordance with open meetings.

What is your impression with respect to those observations?

Mr. ANDREWS. Well, we certainly share that impression. We are not aware of the ICC holding open meetings in many, many months. It may even be years at this point.

Furthermore, it is difficult to remember the last time the ICC held an oral argument, even on a major rulemaking proceeding. We understand they now have some thought that they might possibly have an oral argument on the CSX-barge line acquisition that the last witness mentioned, but that would be the first time in a very long time, Senator.

Senator D'AMATO. We understand the last open ICC meeting was in October 1982. Have you furnished anything in writing with regard to that in terms of your concerns?

Mr. ANDREWS. No; because that sounds right to us. We did furnish quite a number of details about ICC nonfeasance in our statement last year, and the situation has not changed since then. It has gotten worse.

Senator D'AMATO. Well, would you update it and send it to this committee? In case we do ask the General Accounting Office to look into this matter we would like to refer specifically to some of the information that you have furnished us.

Mr. ANDREWS. Certainly.

Senator D'AMATO. When will you submit it?

Mr. ANDREWS. I just want to close—

Senator D'AMATO. No, no, wait a minute. When will you submit the information? Will you update last year's testimony?

Mr. ANDREWS. Well, what I would like to do is, if I could, consult with your staff as to what areas you would like that information in.

Senator D'AMATO. Basically, in terms of those areas you outlined last year that you found disturbing and that those in your field continue to find disturbing. If you would do that, we would appreciate it.

Mr. ANDREWS. I think we could by the end of May, yes, if that would be sufficient.

Senator D'AMATO. No, no, that is not sufficient.

Mr. ANDREWS. When do you need it?

Senator D'AMATO. As soon as possible. Please talk to the staff about that, but submit it sooner.

Mr. ANDREWS. All right.

Senator D'AMATO. Good.

Mr. ANDREWS. OK.

I would just like to close——

Senator D'AMATO. Are you still practicing law?

Mr. ANDREWS. Yes, Senator, I am.

Senator D'AMATO. You know, you sound like a lawyer and a competent one. Do make the information that we discussed available as soon as you can.

Mr. ANDREWS. All right.

Senator D'AMATO. Well, we want to help. If you give us some facts and then maybe we can start a little fire here.

Mr. ANDREWS. OK. We certainly want to support you in that.

Senator D'AMATO. Good.

Mr. ANDREWS. We commend you for what you have done already. Thank you.

Senator D'AMATO. Thank you.

[CLERK'S NOTE.—Subsequent to the hearing, the following information was received:]

SUPPLEMENT TO STATEMENT OF MARK J. ANDREWS

I. PREFACE

During presentation of oral testimony on behalf of the Transportation Lawyers Association (TLA) at this Subcommittee's hearings held May 2, 1984, Acting Chairman D'Amato requested TLA to provide supplementary information as to specific instances of ICC refusal or failure to carry out Congressional mandates expressed in the 1980 reform legislation (e.g., the Motor Carrier Act of 1980, Pub. L. 96-296). TLA was requested to update the specifics provided in its 1983 statement, and to focus on instances where the ICC has acted (or refused to act) without public hearings, oral argument and/or public deliberation.

In an effort to respond to Sen. D'Amato's request, TLA will cite specific, significant proceedings where the ICC has refused to follow Congressional mandates concerning:

(1) preservation of the common-carrier obligation;^{1/}

(2) preservation of a meaningful safety/fitness requirement for motor carriers seeking interstate operating authority;^{2/} and

(3) maintenance of a "middle ground between continuing the status quo on the one hand, and total deregulation on the other hand"^{3/} relative to common-carrier entry, rates and service.

Except where we specifically indicate otherwise, each of the cited proceedings was decided without public hearings, oral argument, public deliberation or public voting.^{4/}

^{1/} See, e.g., 126 Cong. Rec. 5351 (1980) (remarks by Rep. Schuster as floor manager for what became the Motor Carrier Act of 1980.

^{2/} See, e.g., S. Rep. No. 96-641, 96th Cong. 2d Sess. 5 (1980).

^{3/} Id., pp. 1-2.

^{4/} More generally, TLA is able to confirm information received by the Subcommittee from other sources that until this month, the members of the ICC had not deliberated in public since October, 1982.

In addition, this supplemental statement will provide updated information about the rate at which motor carriers are exiting the industry. These figures will provide some perspective on ICC claims concerning the thousands of new entrants it has welcomed to the industry. The exit figures show a continued, rampant instability in this vital industry, despite economic recovery. This instability, we submit, results directly from the ICC's trivialization of those modest entry, rate and service controls--including fitness standards--which Congress deliberately left in place in 1980.

All of the above-described materials are supplied in support of our contention that this year's ICC appropriations bill (1) must express Congressional determination that its 1980 mandates will be enforced, and (2) must target any budget reductions so as to avoid permitting the agency to cite "lack of funds" as an excuse for non-enforcement. With that preface, we now provide the requested supplementary information.

II. SPECIFIC INSTANCES OF ICC NONFEASANCE

Common Carrier Obligation

1. The ICC initially proposed a major reexamination of all sides of this question in Ex Parte No. MC-77 Sub-3, instituted January 27, 1981. The industry was led to expect issuance of new guidelines and standards in light of the 1980 Act. However, the proceeding then languished for more than two years until March 15, 1983, when the ICC finally issued a notice determining "that there is no need to address this matter at any length." The only substantive guidance to shippers and motor carriers provided by the March 15 notice consisted of two sentences as follows (at page 2):

A common carrier is not in violation of its obligations if it declines to provide service within the scope of its operating authority because such service is economically or operationally impracticable in the circumstances at the time of the service request. To the extent that prior Commission decisions may have spoken of an absolute duty to provide service to the breadth of the operating certi-

ificate, those cases are overruled as inconsistent with law and policy.

The clear import of this expression by the ICC is that carriers may determine on their own what service is convenient for them to provide, untempered by any considerations of public interest in maintaining essential services.

An oral argument was held in this proceeding on October 1, 1981. At that time, however, the composition of the Commission was entirely different from its composition now, with the exception of Chairman Taylor.

2. To illustrate that the Commission's attitude towards the common-carrier obligation has not changed since its "decision" in MC-77, Sub-3, supra, we would direct the Subcommittee's attention to the decision served March 1, 1984 in Ex Parte MC-158, printed at 367 I.C.C. 959. Here the Commission indicates it will approve, on a case-by-case basis, the publication of tariff rates by a common carrier which are applicable only to a single, named shipper. There was little indication of the criteria the agency would use to determine, in individual cases, whether a rate for a named shipper was or was not discriminatory against other shippers.

Safety Fitness

1. The Commission has deleted rules requiring applicants for motor carrier authority to submit basic evidence of their financial condition, safety programs and the feasibility of their proposed operations. See Ex Parte No. 55 Sub-43, 45 Fed. Reg. 86780, 86782-83, 86790, December 31, 1980. These rules recently were affirmed by the Fifth Circuit in American Transfer & Storage Co. v. I.C.C., 719 F.2d 1283 (1983), based in part upon ICC assurances (on brief, at p. 54) that it remained vigilant about safety fitness. In reality, however, even when the applicant has no previous experience as a motor carrier, the Commission is now satisfied with a bare, one-sentence assertion that the carrier has "access" to and is "familiar" with safety regulations of the

Department of Transportation (DOT). See 49 C.F.R. 1160.6, 1160.8.

2. The Commission has failed to take full advantage of existing computerized communication links with the safety enforcement arm of DOT's Federal Highway Administration (FHWA), instead confining routine ICC checks of FHWA safety records to cases involving temporary as opposed to permanent authority. Compare 1-2 with pages 2-3 of a Memorandum of Understanding executed by ICC and DOT under date of September 6, 1982. The Chairman of the ICC acknowledged, at page 5 of his June 14, 1983 testimony before the Senate Commerce Committee concerning what is now S. 2174, The Motor Carrier Safety Act of 1984, that unless FHWA files a "petition," the applicant carrier's DOT safety rating will not routinely be considered in a permanent authority case.^{5/}

3. The current state of fitness enforcement at the ICC is well illustrated by a very recent D.C. Circuit decision in No. 83-1436, Federal Highway Administration v. I.C.C. As the style of the case suggests, FHWA challenged the ICC's grant of operating authority. The Court reversed the ICC, finding that the agency had impermissibly ignored FHWA evidence that the applicant was "in 100-per-cent noncompliance with DOT safety regulations." Looking behind the ICC's acceptance of the applicant's "self-serving assertions that he would comply with regulations in the future," the Court found that "no fair reading of [the] record can support the conclusion that [the applicant] was fit in the sense that he was willing and able to conform with applicable safety regulations in the future."

4. The Commission has continually forced broad authority on carriers who had explicitly stated they were in no position to

^{5/} The Report of the Senate Commerce Committee concerning S. 2174 expresses that Committee's concern "about recent cases where operating authority was granted by the ICC to carriers with clear safety problems." S. Rep. No. 98-424, 98th Cong. 2d Sess. 17 (May 2, 1984).

provide such service and did not want the authority. This has happened as recently as December 9, 1983 in a decision entitled H & B Trucking, Inc., Extension--Four States (No. MC-153898 Sub-2, unreported). Notwithstanding the clear admonition by the Fifth Circuit in American Trucking Associations v. United States that the ICC under no circumstances should force "Procrustean" authority descriptions on unwilling carriers (659 F.2d 452, 472 (1981)), such decisions have continued to force many applicants to accept unwanted bulk-commodity authority.

While the ICC's most recent decisions on remand from the ATA Court grudgingly announce an intention to conduct a further rule-making on bulk restrictions,^{6/} the agency continues to require applicants to prove a negative, *i.e.*, that a "proposed service authorization" not meeting the agency's preconceived standards of broadness "is not unduly restrictive under the carrier's particular operational circumstances."^{7/} How odd it is that the ICC apparently remains unwilling to let carriers design their own operating authorities by reference to "market forces" in which the agency places such great faith for almost all other purposes.

5. In what may be the most extreme example of the ICC's "Procrustean" approach to authority descriptions, the agency recently spurned the plea of an asphalt hauler that its permit be so restricted as to be valid only between May 1 and December 1 of each year. Pointing out that asphalt cannot be trucked during cold-weather months because it will freeze, the carrier noted a possible savings of \$2,500 in insurance for the months in which it does not operate. Nonetheless, the Commission rigidly adhered to its "no-restrictions" policy; *see* No. MC-167241, Teton Trucking Co., served April 19, 1984.

^{6/} Ex Parte No. 55 (Sub-No. 43A), served April 13, 1984, at 7-8 (responding to a recent Third Circuit decision in Nos. 83-3122 and 83-3229, Port Norris Express Co. Inc. v. I.C.C. (February 24, 1984), which reversed a forced bulk grant unsupported by evidence).

^{7/} Ex Parte No. 55 (Sub-No. 43A), *supra*, at 6.

Motor Carrier Financial Condition/Rate Structure

1. The ICC allowed a reopened inquiry into desirable motor carrier rates of return to languish for more than four years. Specifically, the agency's November 27, 1978 decision in Investigation and Suspension Docket M-29772, General Increase, Southern Motor Carrier Rate Conference, April, 1978 was stayed by the D.C. Circuit in S.M.C.R.C. v. United States, No. 78-3317, and a successor proceeding remained pending before the ICC on administrative appeal until July 28, 1983, when the agency once again decided, in essence, that no standards or guidelines were necessary.

2. The ICC has repeatedly refused to consider requests by industry and labor groups for establishment of standards or guidelines governing the recent wave of motor carrier rate discounting. See, for example, dismissal orders in Docket No. 38872 (American Trucking Associations), decided September 27, 1982; No. 38724 (International Brotherhood of Teamsters), decided April 15, 1983; and No. 38766 (Owner-Operator Independent Drivers Association), decided April 15, 1983.

3. In Ex Parte No. MC-166, Pricing Practices of Motor Common Carriers of Property Since the Motor Carrier Act of 1980, the Commission initially voted to issue a definitive policy statement on motor carrier rates, but subsequently renounced any such intention in a notice published at 47 Fed. Reg. 49481 (November 1, 1982). As the Commission's then Vice Chairman pointed out in a separate expression issued that date (47 Fed. Reg. 49483):

Reversal of the Commission's prior vote and commitment to developing a formal policy statement means that the Commission is now left with a highly ambiguous proceeding leading nowhere in particular. Such an amorphous proceeding only invites characterization as a "make-work" effort designed to soothe emotions and demonstrate that the Commission is "doing something" (although not much).

Indeed, the proceeding has led "nowhere in particular", as is illustrated by the MC-166 decision served September 13, 1983,

which, once again, declines to adopt any pricing standards or guidelines. It should be noted that during October, 1982, this proceeding was discussed in what turned out to be among the last open conferences held by the ICC until this month. The October 1982 conference in MC-166, however, preceded the receipt of public comments in the case. Once the public was heard from, the Commission never engaged in open deliberations before, in effect, "deciding not to decide" last October.

4. The Commission's nonfeasance in rate matters has not been confined to the motor carrier arena. A petition by the National Industrial Traffic League calling for establishment of maximum rate guidelines for non-coal commodities captive to rail received what has now become standard ICC treatment. In a decision served May 3, 1984, the Commission once again found the idea of taking any regulatory action "premature"--more than three years after Congress determined in the Staggers Act that captive shippers would continue to have ICC remedies available.

Pending Proceedings

The above citations have been confined to cases in which the Commission has issued some sort of decision--even if it is only a decision not to decide. Equally disturbing indications of disregard for Congressional mandates are present in a number of pending proceedings such as:

- Ex Parte MC-57 (Sub-No. 55), in which the agency is considering a blanket exemption of all transactions involving merger or common control of motor carriers, regardless of size or market share.
- Ex Parte MC-172, in which the ICC is considering abolition of all antitrust immunity for collective ratemaking on joint-line shipments weighing under ^{1,000}~~5,000~~ pounds, notwithstanding the clear Congressional intent to reserve to itself the decision as to the future of joint-line collective ratemaking (see section 14 of the Motor Carrier Act of 1980).

-- No. 38841 Sub-1, in which the Commission has proposed drastic reductions in carrier record-keeping requirements. Both motor and rail shipper groups have assailed the proposal as being likely to cripple shippers' ability to file rate complaints, pursue cargo claims, and even establish proof of delivery. This ICC proposal is of particular concern when viewed together with a reported, but not yet released, proposal that all ICC accounting and financial reporting requirements for motor carriers be abolished.^{8/}

III. MOTOR CARRIER EXIT RATES

Our testimony before this Subcommittee last year incorporated a printout listing 1,159 motor carriers of property determined by the ICC to have become "inactive" between July, 1980 and December, 1982. To establish that the dropout rate continues to be at least that high, we have informally surveyed three recent sample weeks of ICC Registers to ascertain how many involuntary authority revocation proceedings are being opened under 49 U.S.C. 10925(b)(1) against carriers who have failed to maintain required insurance and process-agent filings. The failure to comply with these basic requirements is considered a fairly reliable indicator that the involved carrier is (or shortly will be) out of business. The following numbers of revocation cases were opened in our sample weeks:

March 19-23	26
April 23-27	51
May 7-11	<u>60</u>
Total	137
Average per week	45.7

On an annualized basis, the average number of revocation cases initiated thus approaches 2,400. It is against this background that Congress should scrutinize ICC claims of having admitted

^{8/} Traffic World (daily ed.), January 16, 1984, at p. 1.

13,000 new carriers to the industry in the four years since passage of the Motor Carrier Act of 1980.^{9/} Since the exit rate now appears to be approaching the annual entry rate, it is fair to ask whether the ICC's entry policies have produced anything except a "revolving door" through which under-financed, unstable carriers continually enter and exit, to no one's lasting benefit.

^{9/} ICC 1983 Annual Report to Congress (April 4, 1984), p. 16.

BOSTON CARRIER, INC.

STATEMENT OF ALAN BERNSON, PRESIDENT

Senator D'AMATO. Mr. Alan Bernson of Boston Carrier, Inc. Is Mr. Bernson here?

Did I skip someone? All right, we will go back to him.

How are you, Mr. Bernson?

Mr. BERNSON. Fine, sir. How are you?

Mr. Chairman and members of the committee, my name is Alan Bernson and I own a small trucking company in Boston called Boston Carrier, Inc. Last week I delivered a 12-minute speech before the House of Representatives Committee on Appropriations. The time limit of 5 minutes before this committee does not allow me to repeat that, so I have submitted a copy of it and I will describe the speech instead of reading it.

The speech itself and the documentation to support the most serious allegations which I am about to make are documented in this blue source book which I am going to leave with the committee. Included in my credentials are a letter from Congressman Ed Markey asking Chairman Reese Taylor to explain this terrible record and articles about my plight written by Jack Anderson and two other columnists. The Anderson article found the reason for discrimination against me to be due to anti-Semitism and a policy of discrimination toward Jews.

As I said, I own a small trucking company in Boston. For 4 years, agents of the Interstate Commerce Commission have harassed me and my company in an attempt to drive us out of business. Unlike the gentleman who spoke before me, who commented on a policy of nonenforcement—that may be true, but whatever enforcement energies the Boston office has seem to be directed entirely toward me.

To justify this harassment they invented—and I can prove it when I say they invented—charges, of which the following are examples. They charged me with giving a \$1,000 bribe to a candy company, signing my wife's name to a document—

Senator D'AMATO. Is that bad, signing your wife's name to a document?

Mr. BERNSON. The ICC, they gave that to the FBI.

Senator D'AMATO. You mean to tell me that if your wife gave you permission to sign her name—is that basically what happened in your situation?

Mr. BERNSON. Yes, yes. When you are looking for trouble—

Senator D'AMATO. How about when your wife signs your name? Is that really—I mean, that's incredible.

Mr. BERNSON. This is an incredible story. May I proceed?

They also accused me of operating a chop shop, which is a place where you cut up trucks—steal trucks, cut up the trucks, distribute the parts. I was accused of underpaying my insurance companies, underpaying my drivers, placing classified ads in newspapers under an assumed name, sanitizing my accounting records, Federal tax evasion, State tax evasion, requiring my employees to sign noncompetitive agreements—that is, that in exchange for severance pay, they would not work for competitors after leaving my employ.

Also, failing to keep my freight claim correspondence in individual small folders, but instead I had violated the law by keeping them all in one large folder.

ICC agents covered all of New England, from the Canadian border south to Long Island Sound, contacting our suppliers and customers, who were urged either directly or through much more subtle means not to deal with my company.

Expansion of our business was blocked because the ICC held up our applications by making these the only ones in New England to be denied the speedy approval granted everywhere else. To my best knowledge, I am the only motor carrier in the country who in the last 3 years has not been able to increase his authority, at least up until a couple of weeks ago, which I will explain.

Reasons were invented to mark our applications as those of a carrier who might not be fit. Years have dragged by while we tried to increase our authority from just being in Massachusetts, so that we could also operate in Rhode Island and Connecticut, while crushing legal bills have virtually threatened our business' existence.

All this is in violation of the Motor Carrier Reform Act of 1980, which attempted to make the trucking industry accessible to the small businessman, encourage competition, and get regulation out of the picture.

One of the articles that I am submitting relates how an ICC Administrative Law Judge has admitted to deliberately creating a decision that denied our application on the facts, and he now admits that he knew this to be false. Even though he has admitted that this is false, ICC lawyers continue to make sworn statements to various courts to stall grants of operating authority, stating that they have definite proof of baseless allegations even though, unknown to us at the time, they had closed their files on which they were making their claims.

Then they tried to block our retrieval of those very same files from FOIA. After we retrieved them under the Freedom of Information Act, they refused to correct the files in the courts.

I have uncovered evidence, disclosed in my source book, which shows that the ICC allegedly engaged in criminal acts while pursuing me, and these included: One, conducting an investigation of my personal finances, including my tax returns, under the pretense that these were ICC-related investigations. Then, secret correspondence retrieved from FOIA shows that they never had any intention to do anything but get hold of my tax returns. It is a crime to claim that one is an ICC investigator.

Two, after they had assembled the information from these tax returns, the information was then disclosed to insurance companies and other third persons, in violation of statutes that make such acts criminal.

Three, insurance companies were encouraged to cancel us, as we were described as dishonest people.

Four, when we tried to obtain certain FOIA documents, ICC agents made false statements to the FOIA to conceal the existence of FOIA records. And I believe that anyone who makes a false statement to a Government officer, whether it is a civilian or a Government employee, is committing a felony.

Although it is difficult to believe, the ICC got the FBI to investigate me and to injure my reputation by having both the ICC and the FBI agents call on my customers to advise that I was under investigation. When we tried to obtain the report of the FBI, this was blocked for an entire year and I was forced to bring a suit under FOIA to obtain the documents.

When I got them, I found that the FBI had not only found no evidence, they had not even found a reason to begin the investigation in the first place. I have those investigation reports, by the way.

My allegations are directed to a clique in the Boston office. A few weeks ago, the Commission in Washington voted to grant the operating authority I need, which has been held back for almost 3 years, and one Commissioner has indicated an interest in investigating my allegations of criminal conduct on the part of ICC employees with an eye to referring these matters to the Justice Department.

[The statement of Mr. Bernson follows:]

STATEMENT OF ALAN BERNSON

Mr. Chairman and Members of the Committee:

Last week, I delivered a twelve minute speech before the House of Representatives Committee on Appropriations. The time limit of 5 minutes before this Committee does not allow me to repeat that so that I will use the time to describe last weeks speech. The speech itself, and the documentation to support the most serious allegations which I am about to make are documented in this Blue Source Book which I am leaving with the Committee. Included in my credentials are a letter from Congressman Ed Markey asking Chairman Reese Taylor to explain this terrible record and articles about my plight written by Jack Anderson and two other columnists. The Anderson article found the reason to be antisemitism in the Boston Office. I am a small trucking company based in the Boston area. For four years, agents of the Interstate Commerce Committee have harassed me my company in an attempt to drive us out of business.

To justify this harassment they invented, and I say and can prove, invented, these kinds of charges:

- Giving a \$ 1,000 bribe to a candy company
- Signing my wifes name to a document
- Operating a chop shop where stolen vehicles are cut up and the parts sold.
- Underpaying my insurance companies.
- Underpaying my drivers.
- Placing classified ads in newspapers under an assumed name.
- Sanitizing my accounting records.
- Federal Tax evasion
- State Tax Evasion.
- Requiring my employees to sign non competitive agreements, i.e., that in exchange for severance pay they would not work for competitors after leaving my employ.
- Failing to keep my freight claim correspondence in individual small folders and instead, keeping them in one large folder.

ICC agents covered all of New England contacting our suppliers and customers who were urged either directly or thru more subtle means not to deal with my company.

Expansion of our business was blocked because the ICC held up our applications by making these the only ones in New England to be denied the speedy approval granted elsewhere. Reasons were invented to mark our applications as those of a carrier who might not be fit. Years have dragged by while we tried to increase our authority from just Massachusetts into Rhode Island and Connecticut while crushing

leGal bills have virtually threatned our business existence. All this is in violation of the Motor Carrier Reform Act of 1980 which attempted to make trucking an industry accessible to the small business man, encourage competition and get regulation out of the picture. One of the articles relates how an ICC ALJ admitted to deliberately creating a decision that denied our application on facts he now admits he knew to have been false.-ICC lawyers, made sworn statements to various Courts , to stall grants of operating authority, stating that they had definite proof of baseless allegations ,even though, unknown to us at the time, they had closed these files as baseless.Then, they tried to block our retrieval of those files from the FOIA.Even after we found them, they refused to correct the false court records .

I uncovered evidence, disclosed in my Source Book which shows that the ICC allegedly engaged in criminal acts while pursuing me and these include:

- Conducting an investigation of my personal finances including tax returns under the guise of these being ICC related. Then, secret correspondence shows that there never was any intention to do anything but get hold of my personal tax information.It is a crime to falsely claim one is an ICC investigator.

- When the returns were obtained, the information thereon was disclosed to insurance companies and other third persons in violations of statutes that make such an act criminal.

- Insurance companies were encouraged to cancel us as we were described as dishonest.

- When we tried to obtain certain FOIA records, ICC agents made false statements to the FOIA to conceal the existence of FOIA records and I believe that anyone who makes false statements to a Government office is committing a felony.

Although it is difficult to believe, the ICC got the FBI to investigate me and to injure my reputation by having both ICC and FBI agents call on my customers to advise that I was under investigation.

When we tried to obtain the report of the FBI this was blocked for an entire year and I was forced to bring a suit under FOIA to obtain the documents. When I got them, I found that the FBI had not only found no evidence they had not even found a reason to begin this investigation.

My allegations are directed to a clique in the Boston office. A few weeks ago, the Commissioners in Washington voted to grant the operating authority I need which has been held back for almost three years and one Commissioner has indicated an interest in investigating my allegations of criminal misconduct with an eye to referring these matters to the Justice Department.

I urge this Committee to allow me to return when there is ample time to deal with this situation.

Signed:

Alan Bernson

Alan Bernson

ARTICLE BY JACK ANDERSON

CITIZENS WATCH — Alan Bernson is a small businessman in Boston who believes he was harassed and nearly driven out of his trucking business by a federal agency without just cause. He asked for my help, and I had my reporter Bill Bartman check it out.

In 1980, Bernson admitted committing a minor breach of Interstate Commerce Commission regulations and was slapped with a \$25,000 fine. Protesting that the fine was unreasonable and discriminatory, Bernson refused to pay it. The regulations he violated are no longer strictly enforced.

In apparent retaliation, the ICC launched a massive attack on Bernson. ICC investigators combed his tax records, contacted his insurance carriers with distorted information, and caused the state tax agency to audit Bernson in an unsuccessful attempt to prove fraud. The ICC also charged Bernson with attempted bribery, but the U.S. attorney rejected the case.

Worst of all is the evidence in an affidavit from a Boston area consultant,

Gerard J. Levy, who did work for Bernson. Levy quotes John F. Curley, then an ICC official, as admitting that another trucker hadn't been given such a hard time by the agency.

"Yes, but without insult to you, the president of the company you're discussing is not a troublemaking Jew who doesn't know his proper place," Curley said, according to Levy's affidavit. "Jews are distinctly disliked in the Boston office to start with, from the top down. Alan is an offensive Jew who fights the ICC and refuses to acquiesce to us. ... He is a constant irritant in its side. Therefore, I felt compelled to conduct extensive investigations into his activities."

Bernson's troubles with the ICC continue. Out of some 20,000 applications for operating authority or extended authority, his was one of only nine assigned to hearings, and one of only two in which a final decision is still due. The other case is that of his brother.

Footnote: Curley has declined to comment.

ABOUT THIS ARTICLE

The Author, Bill Bartman has offered to discuss his continuing investigation of this story. Boston Carrier Inc can provide a phone number.

The article appeared in approximately 1,000 newspapers .

STATEMENT OF ALAN BERNSON PRESENTED BEFORE HOUSE APPROPRIATIONS COMMITTEE

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to set out before this Committee what has been a four year nightmare for myself, my family and the staff of my small trucking company. The story I am about to explain includes harassment, anti-semitism, alleged criminal acts on the part of ICC employees and an incident that involves an ALJ who has admitted to Jack Anderson's Office that his decision denying BCI's application in one of the very rare oral hearings was one he knew to be false. I might not be believed at first blush were it not for the fact that I am including certain credentials with my presentation.

These include coverage of my situation by Jack Anderson and two important traffic publications. The enclosed "Source Book" contains over 30 signed documents, pried loose from ICC files under FOIA is also offered as documentation. Most of the allegations made in this talk are excerpted from the Source Book where they are documented in detail. Finally a letter of recent date from my Congressman, Ed Markey to Chairman Taylor. Although Mr. Markey states that his office has requested an explanation for almost a year and urged Mr. Taylor to arrange to meet with Mr. Bernson, Mr. Taylor continued to decline any explanation or any kind of interview.

When evidence, was offered to the ICC in a signed affidavit of a witness, who stated that he was told by a former ICC official that the "special treatment" of BCI was required because "Alan Bernson is an offensive Jew who does not know his place and who refuses to acquiesce to the ICC's demands", the ICC refused to grant me an interview to present that or any other evidence described herein in a face to face meeting. The thrust of this complaint is call to public attention the complete lack of any remedy or procedure to deal with a serious problem. This is one area of our National Existence where adequate checks and balances to insure equal treatment before the law is non-existent and ones rights are determined by the arbitrary discretion of agency employees.

I am leaving with the Committee today, a few copies of this blue colored volume I call the Source Book, captioned : My Case Against the ICC. In it, I document my allegations which are levelled against the Office of Compliance and Consumer Affairs in general and its Boston office in particular.

Most of the documents supporting the Source Book were pried loose, one by one, under the Freedom of Information Act .OCCA as is seen at page 52, on over 17 occasions, OCCA tried to block our retrieval of these documents by concealment. The documents that were hardest to get released were the ones that were most incriminating. (S.B. 51)

75% of the Investigative effort of the Boston office has been spent on my small company, while other complaints regarding embezzlement, extortion and false financial statements are ignored.

To justify its pursuit and come up with a reason, the ICC , after several years of scouring, found that out of a total of 15,000 of our loads transported, that approximately 150 were "jump the gun" violations. This means that loads were transported while applications were pending but before the certificate actually arrived in the mail. Although ICC policy manuals describe unauthorized transportation as a matter that is only serious if the carrier refuses to correct it after warnings and persuasion, in our case, enforcement action was begun without warning though , prior to the ICC's knock on the door, on our own initiative and without prodding, we had already cured the problem. During 1982, the ICC 's Region One 500 complaints for unauthorized transportation. Of these, it sent out warning letters to approximately 10 carriers and ignored the rest of the 490 complaints.

However, in the case of BCI, it demanded a fine of \$ 50,000 and in Region One, BCI became the first licensed motor carrier to be assessed a fine for unauthorized transportation since the Motor Carrier Reform Act of 1980. (SB Pg 44).

The harassment of BCI is closely linked with three former female

employees who left during 1980 on unfavorable terms, that led to civil litigation. Their attorneys had close relations and socialized with OCCA lawyers in the Boston office with whom social contacts, frowned on by most agencies took place. A kind of partnership was formed wherein the three women, thru their lawyer working closely with OCCA in Boston, filed complaints and requested our applications be assigned for oral hearings. (S.B. See Blue Section-Page A 21)

In the last 3 years out of tens of thousands of applications, less than five have been assigned to investigative oral hearings. Four belonged to me. No other civilian initiated complaints were acted on with the exception of those of these ladies against BCI. At one point, the attorney for these former employees advised us that we could have peace for \$40,000 to be paid in exchange for a promise that they would cease their complaints with the ICC. When I complained that this was a kind of extortion, the ICC dismissed by complaint. The ICC has maintained a tight policy to never take any action on a complaint made by BCI.

A string of baseless complaints became the subject of a massive investigation by a three man squad that operated from the Canadian Border South to Long Island Sound. I was accused of giving a \$1000 bribe (S.B. Page 14) ; Concealing records, cheating drivers out of fuel surcharge, owning a freight forwarder company Federal Tax Evasion, State Tax Evasion, Concealing records, and cheating drivers out of fuel surcharge, owning a freight forwarder company (SB Page 18)

Although I had her written consent and she had made no complaint, the ICC started an investigation because I had signed my wife's name

While or after the ICC closed its files on each of these baseless matters, they engaged in the vicious practice of persuading other agencies to initiate new persecutions of BCI and this was done by concealing from those other agencies the fact that the investigations were already dead. The ICC tried to recruit the investigative departments of the Mass Tax, the IRS, the FBI and those at four-

Insurance Companies. (Their contacts with insurance companies resulted in four consecutive cancellations. When we were down to our last insurer, the ICC flew in a special attorney from New York City to seek an order in the U.S. Court to restrain us from operating without insurance!) (SB Page 47)

There is no record in Region One of any similar types of referrals to other agencies. Also, two false claims were made to the U.S. Attorney's office in a situation where these were the only two criminal referrals in several years. (S.B. Page 53)

All investigations were closed as baseless but only after a nightmarish period of harassment that required my full time attention.

Customers were harassed and intensive investigations of customer files were made to determine if they were " linked " to Alan Bernson. (SB Blue Section Page A 10- "The Sandbag Incident ") Customers were told not to use the services of BCI because of lack of authority when this was false.

In 1982, based on a protest filed by the former employees BCI's Sub 11 application was assigned to an oral investigative hearing. (SB Page 38) ICC guidelines clearly state that only the most flagrant cases where there is a clear pattern of violations and an open unwillingness to obey the law should be assigned to hearings. Approximately ten cases per year are assigned to hearings out of some 20,000 applications. Unknown to us at the time, the ICC had completed its investigation report and closed the file for lack of evidence. A secret letter was written from a Boston OCCA lawyer to the OCCA chief in Washington announcing that the investigation had been closed and that there was no evidence to present if a hearing was to be held. It was then agreed that those facts would be concealed from the Commissioners and instead, the Commissioners were told that the allegations of the former employees were very serious and a hearing ought to be held with the inference that the usual criteria of a record of past violations should not be invoked, and

a special rule for this particular case. Although the law mandates that to be a protestant one must be a common carrier, a special exception, without any reason, was created so that the two women could become the first non motor carrier protestants in ICC history. The requirement that the "defendant" be supplied with a bill of particulars advising of the charges in advance of hearing was abrogated also without reason. At the hearing no violations were established, but a decision was written up, by an ALJ citing us for what were described as "violations" which had no reference to any statutory code. They were merely labelled "violations". The judge refused to explain what these meant and denied the application for lack of "fitness".

Two years later, in February 1934, the Judge admitted to Bill Britman, reporter for Jack Anderson, that his decision was written in a false manner and that in fact, at the time of the hearing, BCI had no violations and he admitted that the steno record does not conform to his decision. The Judge stated that the best remedy for Mr. Bernson would be to seek a new application at his own expense. (This occurred after the S.B. Was written. See Article of Traffic World January 1934 enclosed).

The Sub 11 case is pending appeal in the U.S. Circuit Court which is unaware that it is working from a record certified as correct which is in fact known to be false. The ICC refuses to report those facts to the Court. (S.B. Page 54)

The decision in the Sub 11 case declared BCI as an unfit carrier, and consigned it to parish status. The ICC now tightened its noose. No new authority of any kind could be obtained without more hearings. These cost approximately \$ 50,000 each. In 1983 BCI again tried to apply for new authority and as an excuse to block the application, knowing the legal cost would be a bar, OCCA recommended that BCI's application be assigned to a hearing because its freight claims were kept in one large folder instead of several smaller ones and its lease forms were missing certain words and phrases. Again, the guidelines which specify that only those rare instances where a

past record of serious violations exists shall warrant an oral hearing were scrapped. (S.B. At Page 41)

On behalf of me and my company, I urge the Committee to investigate the manner in which ICC dollars are being spent.

Yours truly,

Alan Bernson
Alan Bernson

Documentation for Events Since the November 1983 Source Book

1. Antisemitism: The proof of this is contained in an affidavit of a Boston person who relates his conversations with the Former Regional Counsel of the ICC - Mr. John Curley who retired in 1982.

2. The False Decision of the Administrative Law Judge: The proof is contained in an affidavit of William Hartman, reporter for Jack Anderson. The Traffic World Article actually covers the Hartman affidavit.

3. Comment: This presentation cannot possibly explain where the documentation for each single allegation is to be found and presumes that there would be an opportunity for me to explain and "point out" where my evidence for each statement is to be found in my Source Book.
affidavit

ARTICLE FROM TRAFFIC WORLD

by David J. Airozo

A Boston-area trucking company involved in a running battle with the Commission's enforcement branch is attempting to reopen a 1982 administrative law judge's decision on the ground that the ruling contains significant factual errors.

Boston Carrier, Inc. (formerly Boston Contract Carrier), has leveled numerous charges against the ICC, contending that some agency employees have conducted a "systematic campaign" aimed at closing BCI down. The ICC's Office of Compliance and Consumer Assistance, which is the main focus of the carrier's charges, has denied the allegations.

Since last September, the ICC has been trying to sort out the facts of the matter. Staff members of all four commissioners have looked into the charges, and for the last two months, the matter has been under review in the agency's general counsel's office (T.W., Dec. 19, 1983, p. 4).

The law judge's ruling involves but one aspect of the entire BCI matter but is significant because language in the 1982 decision has subsequently been used to justify the alleged OCCA campaign against BCI, the carrier maintains.

At issue is a decision by Administrative Law Judge Earl S. Dowell in which he denied Boston Contract Carrier's bid for general commodities operating authority between points in Rhode Island and points in the United States. Judge Dowell issued his decision in May, 1982, after presiding over a four-day fitness hearing held in Providence, R.I., March 16 through 19.

Essentially, BCI argues that Judge Dowell has admitted that certain findings contained in his decision, relating to alleged violations by BCI of the ICC's rules and regulations, were merely allegations taken from a brief filed by OCCA.

In addition, BCI argues that the judge has admitted that findings relating to unauthorized transportation conducted by BCI were minor and had nothing to do

with his decision to deny the operating authority sought by the carrier.

To back up its argument, BCI has obtained an affidavit from a reporter covering the case for the office of syndicated columnist Jack Anderson. The affidavit outlines conversations the reporter had with the judge.

In his decision, the judge cited several charges of impropriety leveled against the carrier by OCCA and others protesting the carrier's application.

These included allegations that the carrier had purged records, mishandled the ICC's fuel surcharge program, frustrated Commission investigations, and conducted operations, involving about 100 loads, without proper ICC operating authority.

In the affidavit submitted to the ICC, reporter Bill Bartman says the judge's decision is confusing because, at some points, he appears to be quoting OCCA allegations, but fails to attribute the allegations to the office.

"In reviewing the . . . decision I found there were four reasons for denial," Mr. Bartman says. "These were the purging of records . . . fuel surcharge mishandling . . . frustrating commission investigations . . . and 100 loads of unauthorized transportation."

"When I visited Judge Dowell I developed very readily that the first three items were put into his brief as accusations against BCI in error," Mr. Bartman adds. "These items were the fuel surcharge, frustrating commission investigations and purging of records charges. They had been borrowed from OCCA's brief and were actually the words of OCCA's John Curley," Mr. Bartman says.

Mr. Curley and Charles E. Wagner represented the ICC in this matter.

Mr. Bartman also maintains that, although BCI had conducted the unauthorized operations, it had already received the necessary operating authority at the time of the fitness hearing. Mr. Bartman says Judge Dowell acknowledges that he did not base his denial on that aspect of the case.

"In asking Judge Dowell about this matter," Mr. Bartman says, "he confirmed it was a minor charge that had nothing to do with his denial."

"The judge told me that if he had received, during the hearing, a statement from Alan Smith, BCI's sole representative at the hearing, that there would be an improvement in compliance with ICC rules in the future, he would have granted the application instead of denying it as he had done," Mr. Bartman says.

In the 1982 decision, Judge Dowell noted that an evaluation of an applicant's fitness "should not be a punitive measure directed at past unlawful operations. Rather, it is a determination by the Commission of the applicant's willingness and ability to conduct any future operations in a lawful manner."

Judge Dowell denied the application because the hearing record was "devoid of any assurances by the applicant as to future operations."

BCI argues that, since the unauthorized transportation had been corrected, and the OCCA charges are nothing more than allegations, BCI has been in compliance with ICC regulations and, therefore, could not have promised to do better in the future.

At a January 25 meeting with Judge Dowell, Mr. Bartman says he asked the judge if he planned to come forward and reveal the alleged error to the commissioners. "He told me he had no such plans," Mr. Bartman says. "His proposed remedy of the situation was that Mr. Bernson (BCI's president) reapply."

Because the entire BCI matter is pending before the agency, Judge Dowell could not comment on the affidavit.

In a related development, BCI has asked the U.S. Court of Appeals for the District of Columbia Circuit to look into the allegations concerning Judge Dowell's decision.

Last year, BCI filed a petition for review of the Commission decision which upheld the law judge's initial ruling. The appeal was heard by the court on October 19, 1983, and a decision is pending.

In light of the Bartman affidavit, the carrier has now filed a motion for partial summary reversal of the ICC decision. BCI charges that "given the admission of error by the administrative law judge, the decision of the Commission cannot stand."

The Commission had found that the subject violations "as discussed by the initial decision of the administrative law judge are varied, numerous, and extremely serious."

"In our opinion," the Commission said in its ruling, "such conduct represents a flagrant and persistent disregard of the provisions of the Interstate Commerce Act and the Commission's rules and regulations."

In its motion, BCI argues that the Commission "relied upon the findings of the administrative law judge in making its decision," and that this reliance "is now clearly misplaced."

"As it has come to light, the alleged violations were not varied, not numerous, and not serious," BCI says.

January 3, 1984

Let me start out the new year talking about an age-old problem: injustice. Specifically, the injustice of the IOC's present enforcement policies.

As I've been writing for a couple of years now, the IOC's enforcement policy is about 99% one of non-enforcement. Rebating, unauthorized transportation, tariff violations, defective paperwork, you name it — it's going on daily in today's transportation marketplace, and the Commission resolutely looks the other way just about every time.

"Well, why not?" a transportation reporter (who really ought to know better) recently challenged me. "Regulation is on the way out, and these things are just leftovers from the past. Why bother to enforce them?"

There are a few people who can answer that question — can answer it with a great deal of understandable bitterness. They're the 1% on whom the Commission has been enforcing the letter of the law. On one hand they hear the clear message the IOC is sending out to industry these days, that it doesn't really care much about regulatory violations; but on the other they're finding out the hard way — through fines, harassment and litigation — that this liberal view doesn't at all apply to their regulatory violations.

They call it — and I concur — injustice.

Because he has decided to "go public" with his running battle with the Commission's Boston field office, I'll use the case of Allen Bernson and his small trucking company, Boston Carrier, Inc., to illustrate what I mean.

Over the past few years Bernson and his company have been charged with a number of "irregularities" — violations of the law, of the Commission's regulations, or both. The most serious (in my eyes, anyhow) of the accusations is that he paid \$1,000 to a shipper traffic manager to get some of the shipper's business. Reprehensible if true (Bernson denies it was a bribe); but what, then, of Commissioner Fred Andre's much-publicized comments a while back that such payments are "just discounts" and an example of "the free market at work" and are thus, implicitly, to be condoned if not actually approved (see the January, 1983 Newsletter)? Why is Bernson's alleged bribe the exception to this laissez-faire attitude?

The IOC also says Boston Carrier hauled a number of loads without proper operating authority, which Bernson partially acknowledged when I spoke with him. On that basis one of its applications for new authority was turned down by the Commission — at approximately the same time the agency was granting operating rights to another carrier that had been running without authority for the past 20 years (see the November Newsletter).

In addition, Boston Carrier is accused of having short-changed owner-operators on the former fuel surcharge (which the IOC, in repealing it two years ago, admitted was overly complicated and virtually unenforceable). It allegedly failed to include IOC-required provisions in the lease form it uses with owner-operators (when a lot of carriers don't execute written leases at all). And it's faulted for not always inspecting, with its own personnel, the owner-operator equipment it leases (again commonplace in the industry).

If you let him, Bernson will talk your ear off (and has prepared a 250-page tome for you to read, too) on the subject. He denies many of the accusations, has excuses for most of the rest, and in his turn broadly accuses the IOC's field investigators of improprieties. I can't comment usefully on most of what he says, having heard just one side of the story. (The IOC, quite properly, is refusing to comment publicly.)

But when Bernson says that "this kind of stuff, and a lot worse, is going on every day, and the IOC is ignoring it; why are they singling out one little carrier?" — there I have to agree. Even if he and his company are guilty of everything of which they're accused, the charges against them add up to nothing that the Commission hasn't, implicitly or explicitly, been broadly condoning, even encouraging as "pro-competitive."

And therein lies the injustice in enforcement policies such as the ICC's -- that they amount, in real-world terms, to policies of selective enforcement, depending not on what the law says but rather on the whims of the individuals assigned to enforce it.

Bernson and Boston Carrier are by no means the only victims of the Commission's enforcement approach. From time to time you'll read in Traffic World, Transport Topics, et al., about carriers or shippers being sharply penalized for this or that infraction. Operating rights are denied, fines assessed, etc. In almost every case the violations, to anyone knowledgeable about what's really going on in the industry today, seem no different from what countless others are doing, and "getting away with," daily.

(Nor are such cases peculiar to the ICC and transportation. Remember the Virginia college student sentenced to 40 years in prison for possessing a few ounces of marijuana -- a crime that in these drug-inured days rarely leads even to an arrest? The records of virtually every government entity charged with enforcement responsibilities are besmirched with similar injustices.)

Problem is, "everybody's doing it" is not a legally viable excuse for breaking the law -- even one that is largely not being enforced. Neither "everybody" nor the individuals or organizations responsible for law-enforcement are being judged; and their actions (or inactions) will not serve to exculpate you from any violations you may have committed.

At the same time, the fact that "everybody" is breaking the law -- is, indeed, being egged on to do so by the ICC's complaisance and/or public pronouncements -- makes it difficult, if not pragmatically impossible, for any one individual or company to comply. Doing business in transportation "by the book" imposes significant costs and burdens; if you do and your competitors don't, you can expect to lose out in the marketplace.

So the effect of the Commission's policy is to lure an entire industry into breaking the law wholesale -- and then to penalize only those it (or, worse, its individual employees) may arbitrarily select.

How can you avoid falling victim to this policy? A low profile, powerful friends and prayer all help; but in the final analysis there's no sure answer.

Bernson, who is Jewish, ascribes his problems in large part to anti-semitism. Whether that's true or not I have no way of knowing; but it's generally true that members of minority groups tend to have more trouble with government agencies in general than white Anglo-Saxons. So do those who outspokenly oppose or criticize agency policies, or who have managed to personally antagonize the wrong people at the agency. Or it may simply be that you happen to be "no" (as in "eeny, meeny, miny") when an enforcement official decides his or her job security depends on finding an investigatory target.

Whatever the reason, once a person or firm has been singled out by the ICC or any other agency it's hard to escape. Unless you can bring a lot of political or administrative clout to bear quickly, the more you fight back the tougher the investigators get. Pretty soon it becomes a matter of face-saving; bureaucratic measures of job-effectiveness being what they are, investigators feel they'll look bad to their bosses if they back off. In turn the bosses feel they're accountable to their bosses, and so on up the hierarchical ladder until the agency has committed so many resources that it fears to lose face as an organization before the President, Congress, and/or the news media if it doesn't "nail" this or that poor unfortunate.

Meantime, the victim always loses. As the fact of the investigation becomes known suppliers and customers prudently begin staying away. Legal fees mount up. Even complete vindication in the end (unlikely with ICC violations, since they're so widespread) doesn't offset the economic injury.

The best approach is, unfortunately, capitulation. Admit everything (sometimes it's even necessary to admit things of which you're not guilty), accept the penalties meekly, publicly recant your past errors, and the agency will probably let you off the hook. If this sounds eerily reminiscent of the rock justice recounted in, among other places, Orwell's "1984," well....

That's why I deny the ICC's current policies. So long as laws remain on the books, their rigorous enforcement is the only sure path to even-handed justice. The only possible product of the Commission's approach is the kind of injustice that grants operating rights to convicted murderers (as happened last year) while withholding them from individuals who used poor lease forms.

February 1, 1984

The continuing disarray of the ICC's enforcement program is making serious waves around Washington for both the agency and regulation in general.

The U.S. General Accounting Office was recently asked by the powerful House Appropriations Committee to study what the Commission is doing in enforcement. (That's the Congressional committee which oversees the budgets of all Federal agencies.) According to an anonymous committee staff official quoted in Traffic World (I'm hearing basically the same story), the GAO found the enforcement program woefully lacking in both direction and control.

I wouldn't take too seriously the threat of Traffic World's anonymous source that Congress may cut off funding for the program. Congressional staff people are legendary in Washington for throwing their bosses' weight around that way, but the legislators themselves seldom go this far.

But it's clear that there's an increasing sense of displeasure in Washington about the way the Commission is administering its enforcement responsibilities. And unless the situation is corrected (which doesn't appear very likely right now), it's sure to tell strongly when the issue of "sunsetting" the ICC comes up legislatively, probably next year.

Essentially GAO is accusing the ICC's enforcement people of nitpicking about petty violations as a substitute for going after the big ones.

Let's agree on the difference. A serious violation might be operating with unsafe vehicles or drivers, handling hazardous goods improperly, etc., so as to endanger the lives and property of bystanders. It might entail some kind of dishonesty -- fraudulent billings, cargo theft, claims swindles of various kinds, and the like. Or using transportation equipment to, say, smuggle illegal narcotics or move stolen goods. Or discrimination in one of its more virulent forms -- in employment, in rates or service to competing whippers, etc. We're talking, in sum, about crimes with victims, violations that have at least the potential to cause someone real harm.

At the other end of the spectrum are the basically "victimless" violations of law or the ICC's hundreds of densely printed pages of regulations. Hauling truck cargoes without operating rights (when it's so easy, these days, to get authority to provide the service legally). Carriers charging less than tariff rates (when rates can be changed so readily). Failing to dot all the i's and cross all the t's in one or another of the requisite forms or reports. And so on, and on, and on.

A quick quiz, now: Which type of violation do you hear about the ICC uncovering a lot of? And which do you almost never see prosecuted?

I'm not suggesting that the ICC should simply ignore the smaller infractions when it finds them; if laws and/or rules are on the books they should be enforced. Nor am I faulting the Commission unduly for having trouble uncovering major violations; its enforcement resources are severely limited, and, after all, lawbreakers can normally be expected to go to a lot more trouble to conceal the evidence of big crimes than petty ones.

But I am saying (as GAO also appears to be) that the Commission's sense of priorities is askew. With only limited enforcement resources to deploy, why is it placing so much emphasis on investigating a lot of small companies for a lot of small violations and so little on the more serious matters?

The case I described last month of Alan Bernson and his Boston Carrier, Inc., seems to me to epitomize the ICC's maladjusted enforcement priorities.

By any reasonable measure Bernson is small potatoes as a transgressor. The one serious charge against him -- that he made a \$1,000 payoff to the traffic manager of one of his shippers -- has been dropped; the U.S. attorney to whom the ICC referred the matter found no evidence on which to prosecute him. (Bernson has also asked me to emphasize that he vigorously denies paying any bribes.) What's left is a series of relatively trivial accusations, some of which Bernson admits, some he denies, and none of which is anything that even the Commission normally takes very seriously.

Yet the ICC enforcement staff (especially in the Boston regional office) is pursuing Bernson and his company with all the zeal and vigor of crusaders. It is, for example, demanding a civil forfeiture well into five figures for 150-200 unauthorized hauls Bernson admits his company made -- when the largest recent such forfeiture, which involved some 20 years of unauthorized transportation, was less than a third as much. It's been scrutinizing his taxes, pestering his customers and harrassing his insurers. In sum, it is making a very big deal out of peccadillos that, were it only to look, it could find going on just about anywhere its eyes happened to fall.

This disproportionate exercise of the ICC's enforcement powers against a small, even insignificant carrier -- and the animus, apparent from internal ICC correspondence, with which the investigation has been conducted -- are attracting a lot of public attention at a very bad time for the Commission. Just as the GAO tells Congress the enforcement program is being handled abysmally, a number of journalists -- including the very influential syndicated columnist Jack Anderson, who plans to write about it this month -- are offering the archtypal horrible example of just what's wrong.

It's not hard to figure the impact this will have when Congress starts considering legislation to complete deregulation and abolish the Commission.

The ICC's enforcement program is, after all, the "teeth" in the entire regulatory structure administered by the Commission. If those teeth are being employed solely to munch on a few random minnows, it's not easy to justify continuation of either the enforcement program itself or the structure it's intended to support. For comparison, consider the uselessness of criminal statutes if police did nothing but hand out parking tickets.

It's not beyond credibility that this may even be the motivation of some at the Commission in letting the enforcement program flail aimlessly about as it is. A number of fairly high-ranking ICC employees (including some commissioners themselves) make no bones about their support for total transport deregulation. And what better way to pursue that goal than to use their present power to sabotage the regulatory structure they're supposed to be administering? That's speculation, of course; but such things have been known to happen in the bureaucratic infighting of political Washington.

If that isn't the case, though, I think it's up to those at the top to cease their chronic squabbling over philosophy long enough to give the enforcement program some meaningful direction. When Congress takes up deregulation again (next year; I still see no chance of legislative action in 1984), it's going to be looking hard at what the Commission has been doing. And if I were in charge, I'd certainly want to show something a little better than Boston Carrier-type pettifoggery to highlight my endeavors.

LETTER FROM REPRESENTATIVE EDWARD J. MARKEY

Reece Taylor, Jr., Chairman
Interstate Commerce Commission
Washington, D.C. 20423

RE: BOSTON CARRIER, INC
Alan Bernson, President

6 March 1984

Dear Chairman Taylor:

I would like your personal attention in a matter of grave concern to me—a complaint alleging Interstate Commerce Commission harassment of one of my constituents.

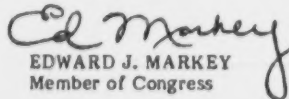
As you may know, I have taken a personal interest in the charges made by Alan Bernson, president of Boston Carrier, Inc., of Everett, and I have written you on several occasions requesting your assistance. In my most recent correspondence—dated January 27, 1984—I requested that a personal meeting between Mr. Bernson and a member of your office be arranged and that every effort be made to bring about the resolution of this matter. In a reply from Bruce Hatter, director of ICC's Office of Governmental Affairs, I was advised that such a meeting would not be possible and that an expeditious resolution was unlikely. Neither Mr. Bernson, nor I, am satisfied with this response, and for this reason I am asking for your personal intervention.

Mr. Bernson's difficulties with the ICC date back nearly four years, and during that time he has suffered serious financial and emotional strain. It is my hope that we may be able to correct this situation, and I believe that Mr. Bernson's personal contact with your office would work toward that end. Therefore, I am strongly requesting your personal attention. I ask that I receive a reply—from you—in response to this request.

Mr. Bernson and my staff and I would be pleased to work with you in any way to expedite this matter. I am convinced that this can be accomplished.

I look forward to hearing from you.

Sincerely,


EDWARD J. MARKEY
Member of Congress

INTERSTATE COMMERCE COMMISSION TO INVESTIGATE ALLEGATIONS

Senator D'AMATO. Let me ask you a question, if I might, because your time is up and I am obviously interested, as is Senator Andrews as well as the other members of this committee: Have you ever taken this matter to the U.S. attorney in Boston?

Mr. BERNSON. Yes; as a matter of fact, we are involved with civil litigation with the ICC right now on account of this. They have brought a civil action against us.

Senator D'AMATO. Who has brought a civil action against you?

Mr. BERNSON. The Interstate Commerce Commission, on account of some unauthorized transportation that they found that took place 3 years ago. That is a civil matter.

We took this to the U.S. attorney. We took the evidence—

Senator D'AMATO. When did you go to the U.S. attorney?

Mr. BERNSON. Last October.

Senator D'AMATO. What has taken place, if anything?

Mr. BERNSON. We got a one-paragraph letter that said—I want to be accurate. It was one of those kinds of letters that just says nothing, just says we are not taking any action at the present time, or something to that extent.

Senator D'AMATO. What you are saying is basically that the U.S. attorney is not involved in looking into some of the charges that you have made and that you outline in your presentation here and in your prepared testimony, is that correct?

Mr. BERNSON. That is correct.

Senator D'AMATO. Of course, you are aware of the fact that the Chairman of the Interstate Commerce Commission has indicated to Senator Andrews that the Commission is concerned that you and your company be treated fairly and with the same consideration that is given to all carriers. In addition, they are going to undertake an investigation of your allegations.

The main concern is the appointment of an investigator or investigators who will not be under the jurisdiction of the ICC, so that the integrity of that investigation will be unquestioned.

Mr. BERNSON. What you just read to me, Senator D'Amato, is news and good news to me, but I have never heard it before.

Senator D'AMATO. This just came in on May 1.

Mr. BERNSON. I see.

The B'Nai B'rith is now involved in this. They wrote a letter to Mr. Taylor a couple of days ago. But as of 3 days ago when I talked to representatives at Congressman Markey's office, they still had not received any kind of an explanation from Mr. Taylor.

Senator D'AMATO. Well, I am certain that the Congressman probably has a copy or a similar letter. It is indicated that Commissioner Taylor has obtained the services of an independent investigator from another agency so that they can carefully review the allegations that you have made. And obviously, this committee will be looking forward to that investigation.

Mr. BERNSON. May I get a copy of that memorandum?

Senator D'AMATO. Yes.

Mr. BERNSON. That is a letter addressed to you?

Senator D'AMATO. No; it is addressed to Senator Andrews, the subcommittee chairman. And we will be happy to give you a copy.

Mr. BERNSON. I see.

Senator D'AMATO. OK. Thank you.

[The letter follows:]

LETTER FROM REESE H. TAYLOR, JR., CHAIRMAN, INTERSTATE COMMERCE COMMISSION

MAY 1, 1984.

HON. MARK ANDREWS,

Chairman, Subcommittee on Transportation and Related Agencies, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I understand that Mr. Alan Bernson will be testifying this week before your subcommittee, as you hear testimony from outside witnesses regarding appropriations for agencies under your jurisdiction. As you may know, Mr. Bernson testified last week before the Transportation Subcommittee of the House Appropriations Committee. Mr. Bernson and his company, Boston Carrier, Inc., are presently involved in a number of pending cases before the Commission. These proceedings are being handled in accordance with prescribed Commission procedures.

The testimony presented by Mr. Bernson last week before the House Subcommittee contained a number of allegations against the Commission and its staff, including

charges of anti-Semitism and deliberate harassment. I am writing to assure you that these allegations are now being carefully examined, and in order to avoid any possibility of bias, I have obtained the services of an independent investigator from another agency. The Commission is concerned that Mr. Bernson's company be treated justly and fairly, and with the same consideration that is given all carriers under our jurisdiction.

I will inform you as to the outcome of the investigation as soon as it is completed, and in the meantime, if any questions arise with regard to this matter, please let me know.

Sincerely,

REESE H. TAYLOR, Jr., *Chairman.*

THE FERTILIZER INSTITUTE

STATEMENT OF TOM REGAN, INTERNATIONAL MINERALS & CHEMICAL CORP., ON BEHALF OF THE FERTILIZER INSTITUTE

Senator D'AMATO. Now, I would like to welcome our next witness, Mr. Edwin L. Frank, Transportation Services Unlimited. Mr. Frank.

Mr. Frank is not here. Very well, I would like to call Tom Regan, International Minerals & Chemical Corp., on behalf of the Fertilizer Institute.

Tom, how are you.

Mr. REGAN. Good morning, Mr. Chairman.

My name is Tom Regan and I am representing the Fertilizer Institute this morning. I come here to ask for support for the appropriation of the Railroad Accounting Principles Board. I have submitted a written testimony, which I will summarize due to the short time period allotted to me.

Senator D'AMATO. Let me indicate for the record, Mr. Regan, that Senator Chiles had wanted to be here this morning to hear your testimony and the testimony of the other witnesses. The Senator has mentioned to the chairman of the committee and to myself the needs of the phosphate industry as it relates to transportation in Florida.

And in your statement you refer to your industry as "captive shippers," and we would certainly be interested in what impact the Railroad Accounting Principles Board would have on the transportation requirements of the Florida phosphate industry.

Mr. REGAN. A captive shipper is one whose business depends entirely upon the railroad. Now let me qualify that answer a little bit. You have heard the term "captive shipper." I like to refer to it as captive traffic.

Now, in Florida 80 to 85 percent of my company's products move by rail. That means we do utilize another mode of transportation. However, I submit that my company could not exist on 20 to 25 percent of its present activity, could not employ the number of people, or develop the tax revenues that it is doing today.

So I say my company has captive traffic. Now, how does that relate to the Railroad Accounting Principles Board? The railroads are deregulated where there is competition. However, they have by virtue of their operation limited access in certain areas, and Florida is certainly one of them. We have one railroad down there.

So in a way they are quasi-utilities. So being a utility, they need regulating so they will stay benign and serve the public need. And the Railroad Accounting Principles Board would set up guidelines and principles by which a maximum level of rates to be reasonable could be determined.

Today we have no such guidelines. URCS was supposed to give us that, but URCS has been in the making since 1976. We have had deep rhetoric and empty promises from the Commission as to when URCS will be available.

They had an outside contractor help them to develop URCS. He gave his final report in 1979. Still, the shipper does not have URCS, so we have no accurate economic cost data by which to judge specific movements by the railroads.

And to compound the matter, the ICC has decided how a railroad becomes revenue adequate, what is the standard. The standards they have set up are the current cost of capital. However, the current cost of capital that they have established is so high that, according to a recent survey by Forbes, the 10 most profitable corporations in this country cannot attain it.

Their current cost of capital is 17.7 percent. The highest profitable corporation in this country has a return on investment. That is their standard of revenue adequacy, return on investment equal to the current cost of capital. The ICC says the railroads must have 17.7 percent to be revenue adequate.

As I said before, a recent survey by Forbes shows that the 10 most profitable corporations in the country cannot achieve it. They have an average of 8.8 percent, with a maximum of 14 and a minimum of 6.6.

Now, you can say to me, why is this so important? Well, it is so important because the ICC has also adopted the attitude that as long as the railroads are revenue inadequate no rate that they charge can be deemed unreasonable.

[The statement of Mr. Regan follows:]

STATEMENT OF TOM REGAN

REQUEST: Appropriate funds for the Railroad Accounting Principles Board authorized in Section 301 of the Staggers Rail Act of 1980 (P.L. 96-448).

NEED: The ICC is implementing various provisions of the Staggers Act using accounting methods that make the railroads revenue adequacy seem poorer, their expenses higher, and their need for revenues unquestionable. The result is greater rate flexibility for the railroad, immune from ICC control. Without economically accurate railroad costs, it is impossible for shippers of captive traffic to show that a rail rate is unreasonable.

STATUS: Appropriations for the Board have never been made and its authorization expired last September. However, the House of Representatives passed H.R. 4439, that extends authorization for the Board. Also, Senators Danforth and Packwood included reauthorization of the Board in Title III of S. 2537 which was reported to the Senate by the Senate Commerce Committee on April 10, 1984.

BACKGROUND: The Staggers Rail Act established a Railroad Accounting Principles Board for the purpose of developing accounting procedures for obtaining "economically accurate railroad costs directly and indirectly associated with particular movements of goods." Principles established by the Board were to govern the determination of railroad costs for regulatory proceedings under the Act.

Accurate railroad costs data are vital for ICC's implementation of the Staggers Rail Act. In addition, shippers and carriers need reliable information to function in the new, less regulated environment.

A major reason why the Railroad Accounting Principles Board has not been funded is to allow the ICC's Uniform Rail Costing System (URCS) to function. However, URCS will never achieve the purpose envisioned for the Board as outlined in the Staggers Rail Act. URCS cannot provide "commodity-specific" rail cost data. URCS uses "system-average" costs, thus providing average transportation costs. URCS cannot distinguish between the cost of service on a major rail line hauling heavy traffic and a branch, or a light density rail line. Further, the ICC has been attempting to implement URCS since 1979. There are still many problems with URCS, problems that may never be corrected.

The Board and the accounting principles that were to be developed by the Board are an intricate part of the Staggers Act. We urge that the Appropriations Committee make the Board a reality.

Mr. Chairman, my name is Tom Regan and I am Vice President of Corporate Distribution, International Minerals and Chemical Corporation, headquartered in Northbrook, Illinois. I appear here today on behalf of The Fertilizer Institute (TFI). I currently serve as chairman of TFI's Transportation Committee.

TFI is a voluntary, non-profit association whose members represent approximately 95 percent of the domestic fertilizer production in the United States. TFI's membership includes: producers, manufacturers, traders, retail dealers and distributors of fertilizer materials. Its members are major shippers, receivers and exporters of fertilizer and fertilizer materials.

We appreciate the opportunity to appear before you today to

support appropriations for the Railroad Accounting Principles Board (Board). We are also prepared to present testimony before the Legislative Branch Subcommittee when hearings for public witnesses are scheduled.

The Board was authorized in Section 301 of the Staggers Rail Act of 1980, P.L. 96-448. However, appropriations for the Board have never been made and its authorization expired last September.

The House of Representatives, however, has passed H.R. 4439, introduced by Congressman Florio, that extends the authorization for the Board. Also, we appreciate the support of your colleagues, Senators Danforth and Packwood, who included reauthorization of the Board in Title III of S. 2537 which was reported to the Senate by the Senate Commerce Committee on April 10, 1984.

The impact to shippers, especially captive traffic, of not having available economically accurate railroad costs has been devastating. Shippers are handicapped in attempting to show that a rail rate is unreasonable. If a shipper chooses to challenge the reasonableness of a rate and uses the cost data currently available, Rail Form A, he is accused of using an outmoded and antiquated system. If he requests up-to-date specific data on the movement to which the rate applies, he is told by the railroads that the information is "proprietary."

Reviewing proprietary information in developing economically accurate railroad cost is a function of the Board. The Staggers Act states:

"the cost accounting principles established by the Board shall require that cost information be reported or disclosed only for the essential regulatory purposes defined by the Board."

The result of not having the Board is that railroads, shippers and the ICC will never agree on the railroads' costs associated with a particular movement -- an extreme disadvantage to the shipper.

However, most devastating to shippers is the ICC's continued regulatory action interpreting the Staggers Act without Board-established railroad accounting principles. It was the intent of Congress in passing the Staggers Act, that accounting principles established by the Board shall:

"govern the determination of all railroad costs for specific or regulatory proceedings under this title."

The ICC, however, has issued major decisions interpreting the Staggers Act using existing unverified cost information which is not compatible with generally accepted accounting principles. An example is establishment of the railroads' cost of capital. By ICC standards the railroad industry, to have adequate revenues, must earn a return on investment equal to the current cost of capital. However, the Commission has determined that the railroads after tax current cost of capital is 17.7 percent. The ten most profitable corporations in the country according to Forbes Magazine, earn an average cost of capital of 8.8 percent ranging from a high 14 percent to a low of 6.6 percent.

The Commission has decided that since no railroad earns its cost of capital, all railroads are revenue inadequate. This finding, in our opinion, is contrary to the current business activities of the railroads. Our opinion is based on the fact that today, several railroads are making large investments and purchases of major non-railroad companies.

The Commission has taken the attitude that since all railroads are revenue inadequate, no rate is unreasonable. This is an alarming reality for captive traffic.

The Staggers Rail Act placed substantial stress and reliance on competition and cost-based ratemaking. The importance of cost data in the railroad deregulation process is a consistent theme throughout the Act. For example:

- o In Section 202 of the Act, a rail carrier does not have market dominance over transportation if the rate charged results in a revenue-variable cost percentage below a specific threshold.
- o In Section 206, the Interstate Commerce Commission (ICC) may describe a quarterly percentage rate increase to compensate railroads for inflationary costs. This rate increase is based on a rail cost adjustment factor.
- o In Section 217, a rail carrier may apply a surcharge to traffic on a line if that traffic does not provide the carrier revenue adequately to cover 110 percent of the variable cost of transporting the traffic.

The above examples of the requirements of the Act point out that railroad costs and the accounting principles developed to determine those costs are a key part of railroad deregulation.

Congress recognized the importance of accurate cost information to the deregulation process and established the Board which was to be comprised of members of the accounting profession, the railroad

industry, both large and small shippers, the ICC and a member from the economics profession and whose purpose was to determine:

"Economically accurate railroad costs directly and indirectly associated with particular movement of goods, including the variable cost associated with particular movement of goods or such other costs as the Board believes most accurately represents the economic cost of such movements."

And, more importantly, the Staggers Act indicated that:

"Such principles shall govern the determination of all railroad costs for specific or regulatory proceedings under this title."

The Board, however, has never been funded. The report of the House Committee on Appropriations for Fiscal Year ending September 30, 1981 (Report No. 97-29) indicates that the Committee denied the \$860,000 supplemental request for the initial operation of the Board because that amount seemed to be in excess of the amount contemplated by the authorizing committee.

The report of the House Committee on Appropriations for Fiscal Year 1982 (Report No. 97-170) indicated the Board was not funded because the ICC had devised a Uniform System of Accounts (USOA) and a new cost methodology, Uniform Rail Costing System (URCS), which was directed at the same basic object as the Board, i.e., to recommend principles and standards for the developing of accurate cost accounting for use by the ICC in regulating the railroad industry.

The Committee denied the budget request of \$1 million in order that ICC's USOA and URCS be allowed to function before initiating another effort which "may create confusion and redundancy."

There has been great promise put into USOA and URCS. However, URCS will never achieve the purpose outlined by Congress for the Board, i.e., economically accurate railroad cost directly and indirectly associated with particular movements of goods.

The USOA was adopted in 1977 and made effective January 1, 1978. The conceptual underpinnings of URCS was also essentially completed by December 1977. Work continued over the next two years to refine ICC's costing program and ended with contractors on the project issuing a December 1979 publication entitled "Project II Development of an Improved Regulatory Costing Methodology for Common Carriers by Railroad, Phase I Uniform Railroad Costing System, Phase II Uniform Railroad Costing System."

Up to the time of the Staggers Act, the ICC had spent large sums of money and many years developing new accounting procedures. Congress, however, rejected this cost methodology and authorized the Board in the Staggers Act.

What has happened to URCS? In April, 1981, the then acting ICC chairman, Marcus Alexis, in written response to Senator Mattingly's, (chairman of Subcommittee on the Legislative Branch, Senate Committee on Appropriations) questions regarding the Board, stated:

"Our current systems include a revised Uniform System of Accounts (USOA) and a new costing methodology, the Uniform Rail Costing System (URCS). Both are intended to provide uniformity and consistency in accounting and costing data. Both are being developed with significant involvement of the accounting profession, railroads and shippers. Our Bureau of Accounts expects the URCS to be fully operational and available to all users by this summer." (Emphasis added).

In testimony before the Subcommittee on Surface Transportation, Senate Committee on Commerce, Science and Transportation, during Oversight Hearings on the Staggers Rail Act of 1980 in November, 1981, Reese H. Taylor, Jr., chairman of the ICC, stated:

"In this same general area, I would like to mention that the Uniform Rail Costing System (URCS) has been completed and is now being commented on by railroads, shippers and the public in general. As you are aware, this system has been under development for some time and the railroad industry, shippers and general public have been kept informed and invited to give views on changes and improvements. Thus far, we have every reason to believe URCS is a vast improvement over Rail Form A, the rail costing methodology used over the last 40 years. We have yet to finally conclude that the regression formulas which determine railroad variability are the ones that should be used. We are waiting for public comment on these. Presently, we contemplate implementing URCS by the early Spring of 1982." (Emphasis added).

It is now the spring of 1984 and the ICC still has not finalized URCS. Major problems exist with URCS, problems that can never be corrected. The most basic of these is the lack of analysis to determine the economic and financial accuracy of the underlining data supporting URCS.

Many of these problems were outlined in a recent filing to the ICC by the Association of American Railroads (AAR) in Ex Parte No. 431 Uniform Rail Cost System.

In their statement, the AAR indicated that further research is necessary in areas involving:

. . . auto correlation, non-normal error terms, error terms with non-constant variances, and high correlations among independent variables. (page 8).

In addition, the AAR suggests that an attempt be made to:

. . . 1) determine the bias attributable to each statistical problem presented in each equation, 2) if the bias is significant make an attempt to correct it, and 3) retest to determine if the bias has been reduced or eliminated. (page 8).

Further development of URCS calls for continued evaluation of the validity, reliability and usefulness of the system and its component parts. The AAR, on page 79 of its Ex Parte No. 431 filing, states:

"In addition to the various mechanical problems already discussed, the Commission's decision to switch from retirement-replacement-betterment accounting to ratable depreciation accounting for track structure, and ultimately the adoption of "inflation" accounting for all assets, will create problems within the existing URCS system. The first problem will be in the annualization of the track structure expenses. Track structure expenses in the future will drop drastically from currently reported levels, due to the reporting change. To simply add future expense data to that already contained in the Rail Data File will produce erroneous results when these data are annualized." (Emphasis added).

In closing Mr. Chairman, we stress that the necessity of making available to shippers accurate and reliable railroad cost data has never been more important than it is today. This has never been made clearer than by the statement of an ICC administrative law judge in his recent decision involving a rail rate complaint case:

"The use of stand-alone costs as a constraint on the pricing of the transportation of captive traffic as in this proceeding results in an impossible burden being placed upon the complainant. The inherent difficulty and absurdity of such a requirement can be seen from the stand-alone findings shown in the appendix herein. As shown there, the Commission's present cost standards appear to give the defendant railroads the right to charge exorbitant rates on captive traffic, as long as such carriers are not revenue adequate, and are not shown to be inefficient. Using the present method of arriving at a finding as to which carriers are revenue adequate it will be difficult if not impossible for any carrier to be considered revenue adequate. It therefore does not appear presently feasible for a finding to be made that a complained of rate is unreasonably high." (Emphasis added).

The Board, and the accounting principles that were to be developed by the Board, are an integral part of the Staggers Act. We urge that the Appropriations Committee make the Board a reality.

STANDARD IS UNREALISTIC

Senator D'AMATO. Let me ask you this. Are there any lines that carry or achieve that 17 percent return?

Mr. REGAN. Railroad carriers?

Senator D'AMATO. Yes.

Mr. REGAN. No; not under the standard by which the Commission—for example, the Commission is saying——

Senator D'AMATO. Look. I understand it. It is one thing to say that the Commission says that unless they have a return of 17 percent—that is what you are saying, right?

Mr. REGAN. Yes.

Senator D'AMATO. That they can then charge whatever rates they want. Is that not basically what you are saying?

Mr. REGAN. That is right.

Senator D'AMATO. Then you are saying that that is unrealistic, because if you judge and look at other industries that there is no rate of return, taking the top 10 leading businesses as reported by Forbes or Fortune, that has exceeded anything like that, and that the highest was something like 14.4 percent. Is that what you said?

Mr. REGAN. Yes, sir, 14 percent.

Senator D'AMATO. All right. Are there any railroads that have achieved any level of return approximating 17 percent that you are aware of?

Mr. REGAN. I cannot answer that because the data is not available to me.

Senator D'AMATO. That is all right.

Mr. REGAN. This is what the Rail Accounting Principles Board would do. They would make it available and then they would construct a costing methodology.

Senator D'AMATO. But you are suggesting to this committee that the standard of 17.7 percent, I think you mentioned, is inadequate in any event, is that right?

Mr. REGAN. We are saying that standard is inordinately high, is unrealistic.

Senator D'AMATO. It is inadequate, it is unrealistic, it does not meet the criteria? Are you not saying that?

Mr. REGAN. Inadequate has a different connotation to me.

Senator D'AMATO. Well, maybe to you it does. To me it means——

Mr. REGAN. OK.

Senator D'AMATO. It fails to properly measure what it was designed to do.

Mr. REGAN. Absolutely, absolutely.

Senator D'AMATO. OK.

Mr. REGAN. Absolutely.

Senator D'AMATO. Very good. We will look into it.

Mr. REGAN. Thank you.

Senator D'AMATO. Thank you.

[CLERK'S NOTE.—Question submitted by Senator Andrews and answer follows:]

Senator ANDREWS. In North Dakota, we have many grain elevators sitting on tracks that have been or are about to be abandoned. Does the fertilizer industry have the same problem as my grain shippers? And, how can the Railroad Accounting Principles Board assist my constituents in the event of railroad abandonments?

[The information follows:]

LETTER FROM GARY D. MYERS, PRESIDENT, THE FERTILIZER INSTITUTE

MAY 15, 1984.

Hon. MARK ANDREWS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ANDREWS: Thank you for an opportunity to respond to your question, resulting from the May 2, 1984 testimony of The Fertilizer Institute before the Subcommittee on Transportation and Related Agencies, Committee on Appropriations, as to how the Railroad Accounting Principles Board can assist grain elevator operators and fertilizer dealers in North Dakota whose businesses are located on railroad tracks that have been, or are about to be, abandoned.

The importance of cost data in the railroad deregulation process is a consistent theme throughout the Staggers Act and is a significant part of the Interstate Commerce Commission's (ICC) approval of any railroad track to be abandoned. Further, cost data is most important in the "feeder railroad development program" contained in the Staggers Act, which allows purchases and operation of railroad lines that another railroad wishes to abandon.

In any abandonment proceeding, there are three issues:

- An ICC finding that present or future public convenience is not affected by the abandonment process.
- Do the revenues generated by traffic on the line add to the total revenues of the railroad?
- Can the railroad make a reasonable return on the capital required to repair the track to keep the rail line in operation?

As you can see, two of the major issues involved in any abandonment proceeding are cost-related issues.

The current accounting system now used by the ICC provides only "system-average" cost and cannot provide specific line-movement costs that are necessary to evaluate a line under consideration for abandonment. The professionals who would make up the Railroad Accounting Principles Board would be able to review proprietary information of other railroads, and provide guidelines that the ICC could use in making a decision in the abandonment process. Also, the information could be used in the "feeder-railroad development program" to assure an accurate forecast of the cost associated with purchasing and operating a rail line over that rail line facility.

I urge you to support making the Railroad Accounting Principles Board a reality.

Sincerely,

GARY D. MYERS.

RAILWAY LABOR EXECUTIVES ASSOCIATION
STATEMENT J.R. SNYDER, CHAIRMAN, LEGISLATIVE COMMITTEE
ACCOMPANIED BY LAWRENCE M. MANN, ESQ., SAFETY COUNSEL

Senator D'AMATO. Now we will hear from the Railway Labor Executives Association. We are going to hear the other point of view. Mr. J.R. Snyder, chairman of the legislative committee.

Mr. SNYDER. Good morning, Mr. Chairman, staff.

I appreciate the opportunity to appear before this very important committee. On my left is Mr. Larry Mann, who is counsel for the Railway Labor Executives Association in the area of safety. It is my pleasure to be here as chairman of the Railway Labor Executives Association as safety chairman and as well as legislative chairman. We do appreciate the opportunity, on behalf of all rail labor, to appear before this committee.

As you had requested, the committee requested, to make it briefly, we have a full statement. We request that be made a part of the record, and with your permission I will just pinpoint the most important issues.

Senator D'AMATO. Your statement will be made part of the record, as if read in its entirety, and that also applies to the previous speaker, Mr. Regan, with respect to his statement.

Mr. SNYDER. Mr. Chairman, I will not burden you with our problems in the area of railroad safety, inasmuch as the record pretty well bears out some of these reasons. This is because this addresses itself to other committees, at which we have testified on the authorization for rail safety.

We are somewhat disappointed in the performance. One of the main reasons is because of lack of inspector force throughout the United States, a large territory, in which they have maintained the same level of inspection for the past 2 years without additional inspectors being hired, inasmuch as the Congress has authorized and inasmuch as some areas of appropriations have been available for these additional inspectors.

We request under the 1985 budget—it is very little different, it is practically the same budget, as was submitted in 1984 by the President and by the FRA. It would be practically the same as the 1984 budget. We request, railroad labor requests, that the authorization and the appropriation for 30 inspectors throughout the country, 10 coming from motor power equipment and 10 from signaling and 10 from track, in order to make it a much more—inasmuch as some of the rules and regulations have required more attention, and with the railroads with a higher operation that we have today, with the type of equipment we are required to use out on the railroad.

We also request by your committee that the inspectors on board—in your report, legislative report, earmark 20 days of travel funds for the inspection force. The main reason for this is that we have had trouble in the past where they were using these funds for other purposes and it was not used, and therefore the inspector was staying in his office and was of no service to his job, to his responsibilities, because of the lack of travel and travel expenses.

We also support the States—we have from its inception, since 1970, the States—funding for the States, because some of the States are doing a good job, others are not, because the funding has not come aboard. We do support that.

We also, as we always have, support the funding for the grade crossings, which is very much needed throughout the country.

And with these requests, this concludes my remarks and my requests before your committee. We are open for any questions. Thank you.

Senator D'AMATO. Let me thank you very much and indicate to you that the committee is very concerned about safety. Certainly, the funds are miniscule in terms of the seriousness of the problems, and the work that should be undertaken. So I think you have a very sympathetic committee.

We thank you.

Mr. SNYDER. Thank you for this opportunity, Mr. Chairman.

[The statement of Mr. Snyder follows:]

STATEMENT OF J. R. SNYDER

My name is J. R. Snyder. I am the National Legislative Director of the United Transportation Union. I am appearing today as Chairman of the Safety Committee of the Railway Labor Executive's Association. Accompanying me is Lawrence M. Mann, attorney for RLEA in this matter. We always appreciate the special privilege afforded rail labor to present our views on FRA's budget requests. The RLEA represents all the crafts of the railroad workers in this country, and the names of the constituent organizations are as follows:

- American Railway Supervisors Association
- American Train Dispatchers Association
- Brotherhood of Locomotive Engineers
- Brotherhood of Maintenance of Way Employes
- Brotherhood of Railroad Signalmen
- Brotherhood Railway Carmen of the United States and Canada
- Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees
- Hotel & Restaurant Employes & Bartenders International Union
- International Association of Machinists and Aerospace Workers
- International Brotherhood of Boilermakers and Blacksmiths
- International Brotherhood of Electrical Workers
- International Brotherhood of Firemen & Oilers
- International Longshoremen's Association
- International Org. of Masters, Mates & Pilots of America
- National Marine Engineers' Beneficial Association
- Railroad Yardmasters of America
- Sheet Metal Workers' International Association
- Seafarers International Union of North America
- Transport Workers Union of America
- United Transportation Union

In years past, we provided you with our analysis of the current safety statistics. However, the FRA has not provided us with the data necessary to make an accurate evaluation. It is important that the statistical information which your Committee has received from the FRA be carefully analyzed by keeping the following points in mind:

1. The statistics are not normalized and do not reflect the reduction in employment during the last few years of more than 30%.

2. The fatalities to railroad employees have continued to rise even with the loss of employment.

3. The railroads alone provide the FRA with the statistics. That is, the railroads determine which accidents are to be reported and tell FRA what caused the accident or incident.

4. The monetary threshold for reporting an accident was increased last year to \$4500 and the comparison between the prior years are not necessarily valid.

5. Where statistics are related to man hours worked, such figures should be adjusted to compare only the operating crafts and not include office personnel. Including all crafts will distort the actual casualty rates of those who are really exposed to injuries.

In summary, concerning the appropriation for FY 85, we urge your Committee to slightly increase the appropriation that was enacted for FY 84. The only increase we are seeking is funding that would allow the hiring of 30 additional inspectors, 10 each for motive power and equipment, signals, and track. Congress has not increased the number of inspectors for two successive years. Some additional inspectors are definitely needed now. Travel expenses for up to 20 days per month should be earmarked as in past years. The Administration is seeking once again to gut the state program. Fortunately Congress has recognized the importance of retaining the states role in rail safety. Therefore, we are asking your support again in funding the states grant-in-aid safety enforcement programs.

Safety Inspectors

The primary reason for FRA's existence is rail safety enforcement. The FRA, in practice unfortunately exercises its role otherwise.

During the years FY 83 and FY 84 your Committee approved funding for 325 professional staff employees (safety inspectors and supervisors) plus 54, clerical support positions. In the two years FY 81 and FY 82 you appropriated funds for 289 professional

staff personnel. We submit it is now time for another slight increase in the number of safety inspectors. As previously mentioned RLEA is seeking only 30 more inspectors, 10 each in motive power and equipment, track and signals.

Grade Crossings

Grade crossing accidents continue to be the highest cause of casualties on the railroads. The success since the earlier 1970's in reducing grade crossing accidents is attributable in large measure to your Committee's financial support for upgrading crossings and greater public awareness of "Operation Life Saver." The Federal funded traffic control systems at crossings have greatly improved the safety for the traveling public. Still, only about one-third of the public grade crossings have active devices such as bells, lights, or gates. The overwhelming majority of crossings are marked only with a cross buck sign. Many have no protection at all. The Department of Transportation, in earlier studies, pointed out that if 15,000 crossings were provided with improved protection, accident costs would be reduced nearly three times that of the installation and maintenance costs of the improvement. Hopefully your Committee will consider increased federal funding to further improve the grade crossings

Enforcement

Last year when we testified before your Committee we pointed out that FRA had initiated a plan whereby safety violations discovered by the FRA inspectors would not be subject to citations and penalties as required by all the federal railroad safety laws. Rather, since that time the FRA has permitted a defect to exist until such time as a railroad corrects it. Only if the defect was not corrected within a time set by the inspector will the FRA consider a penalty. Common sense dictates that the carriers no longer have any incentive to comply with the regulations. They simply can wait until an FRA inspector happens to discover a defect, and then make necessary repairs. Moreover,

the safety inspectors are spread so thin throughout the country it is virtually impossible for them to follow-up on defects for many weeks. With respect to defects found on cars and locomotives there are no follow-ups.

When the FRA was created, the primary function was for it to enforce the federal railroad safety laws. Congress is wasting millions of dollars for maintaining the Agency if the laws are not going to be enforced. Your Committee is unable to watch the day-to-day operations of the FRA. Therefore, there must be very clear and distinct directions from you that the federal railroad safety laws are to be strictly enforced.

The results of FRA's enforcement activity under this so-called System Safety Plan in 1982 demonstrate the effect of that policy. There were approximately 300,000 defects discovered by FRA's inspectors which were forwarded to Washington for enforcement. However, in only about 15,000 cases did FRA seek to impose a fine. The RLEA filed a lawsuit in an attempt to require the FRA to impose fines for the said violations. The FRA argued to the Court that we did not have standing to bring the lawsuit, and the Court held in FRA's favor on that issue. The position of the FRA is that the railroad workers are merely by-standers and have no right to require FRA to enforce the safety laws. We are faced with this same argument in virtually every case that is brought to require enforcement and compliance with the laws.

Travel Expenses For Inspectors

Rail labor again this year urges your Committee to recommend earmarking specific funds to provide 20 days each month for travel for each inspector employed by FRA. The essence of the inspector's function is to travel to the location where railroads operate and inspect these locations. The travel money for safety inspectors has been depleted prematurely many years running because FRA never seeks an adequate amount. The per diem costs have risen, the car travel expenses have increased, and the areas required to be inspected have expanded.

State Grant-In-Aid

The Administration's budget request for a number of years has not sought funds for the state safety enforcement program. The states relied on the Congressional direction in 1970 that there would be matching funds for state rail safety enforcement. We strongly urge the Committee to include such funding for FY 85. The need for the state safety program is even more significant now that FRA's federal enforcement has been downgraded, as reflected by the numbers of defects found versus the violation reports that were filed. Without federal matching funds the states which have invested substantial money and effort in establishing effective state enforcement programs would be left out in the cold. Some states may be forced to drop their enforcement effort.

In conclusion, we are seeking funds for 30 additional inspectors, earmarked travel funds, and state grant-in-aid appropriations. Also, we are asking you to consider funding for more grade crossing protection and pressure for more strict enforcement by FRA.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

STATEMENT OF ROSS CAPON, EXECUTIVE DIRECTOR

Senator D'AMATO. Ross Capon, the executive director of the National Association of Railroad Passengers.

Mr. CAPON. Good morning, Mr. Chairman.

Senator D'AMATO. Good morning.

Mr. CAPON. I trust my full statement will be in the record. I will just summarize the high points.

We appreciate the support of this subcommittee over the years for improving Amtrak's service. We strongly support full funding of Amtrak's \$724 million request. We particularly call the attention of the subcommittee to the fact that Amtrak is extremely short of equipment and, although they have set aside more than 100 old cars for modernization, only 23 are scheduled to be converted in fiscal year 1985 even if Amtrak gets the full \$724 million.

There are some trains this summer which will be running actually with fewer cars than last summer, and on several occasions in recent months Amtrak officials have cited the equipment shortage as the reason why they cannot penetrate particular markets.

So we think the capital budget of Amtrak is extremely important and urge support for that. We also strongly support including in the appropriations bill a mandate for Amtrak to restore service to Oklahoma in fiscal year 1985. Amtrak did a study of this route and found that the projected train through Oklahoma would meet the route-specific criteria which are in the law, although it would not meet the criteria which Mr. Claytor has set himself for adding new service, that is, that no additional subsidy would be required.

Amtrak has indicated that they would be willing to do it on a State-supported basis, in which case the State would pay \$2.1 million in the first year and \$1.7 million thereafter. There seems to be no possibility of the State doing that, and we would urge that the Federal Government support that. The State of Oklahoma would be the only State that would be participating in the 403(b) program that does not already have Amtrak service.

The final point I would like to cover is to simply indicate to the subcommittee our strong support for inclusion in the central artery depression project in Boston, a rail connection between North and South stations, a connection which would permit the Northeast corridor to be more intensively used by providing through service to the northern suburbs of Boston to southern New Hampshire and Maine, as opposed to dead-ending at South Station.

That obviously depends on a lot of things happening which involve the Commonwealth of Massachusetts.

Senator D'AMATO. And the House of Representatives.

Mr. CAPON. Yes.

But we have been told by Massachusetts officials that because the design phase of the central artery project will last a couple of years, there is a possibility still that the rail project should be included—could be included.

I thank you very much for your time.

Senator D'AMATO. Thank you very much for your candor.

[The statement of Mr. Capon follows:]

STATEMENT OF ROSS CAPON

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to present the views of our Association, which is non-profit, consumer-oriented, and supported entirely by membership dues and contributions. We receive no financial support from the government, Amtrak, the railroads, or the rail labor unions.

I. Summary

Our Association:

- strongly supports full funding of Amtrak's \$724 million request;
- strongly supports including in the appropriations bill a mandate for Amtrak to restore service to Oklahoma in FY '85;
- hopes the Subcommittee will be receptive to possible future initiatives regarding construction of a railroad connection between North and South Stations in Boston as part of a likely project to depress the Central Artery freeway along the same alignment; and
- wishes to go on record criticizing Amtrak's failure to work actively to save the "Spirit of California" when that California 403(b) train first was obviously in jeopardy.

II. Capital Investment

As you know, the \$44 million difference between the administration request and Amtrak's request centers on capital investment, which is badly needed if Amtrak's momentum and cost-effectiveness is to be maintained. Just as Amtrak's lack of capital in the early 1970's served to help postpone until recent years the time when Amtrak could begin to perform well economically, a failure to provide adequate capital now would put Amtrak in danger of repeating the dismal cycle from which it has just emerged.

As Mr. Claytor has noted in testimony, \$20 million of the dispute involves Jobs Bill money. The administration considers that regular Amtrak capital even though Amtrak, in spending that money, was required to adhere to guidelines at variance with management's objectives. Jobs Bill money was reserved for labor intensive projects which could be implemented quickly.

Amtrak is desperately short of equipment. Although Amtrak has set aside more than 100 old cars for conversion to "Heritage" status (i.e. modern heating and air-conditioning compatible with Amtrak's new cars and already-rebuilt stock), only 23 cars are scheduled to be converted in FY '85 even if Amtrak gets the full \$724 million. We believe a strong argument can be made that Amtrak should get more than \$724 million so that more of those cars could be converted in the near future, enhancing Amtrak's revenue-earning capability. This is not a matter of plugging for new trains; it largely would serve to enable Amtrak to meet demand on existing trains. For example, on most days in early summer, wreck damage will mean only one Chicago-Oakland/San Francisco sleeping car per day, compared with two in previous years.

Please support \$724 million as a minimum, and closely examine the equipment issue as justification for increasing funding further.

III. Oklahoma Service Should Be Mandated

We believe the case for an appropriations provision requiring Amtrak to restore Oklahoma service is even more compelling today than it was when we raised this issue a year ago. Since then, Amtrak has done a study which concluded that the strongest Oklahoma service option would have an avoidable loss per passenger-mile (ALPM) in FY '85 of 5c--less than half the 11.1c expected to be allowed under present law, and substantially less even than the more stringent 8c to which the administration would like the law changed. The service was projected at 216 passenger-miles/train-mile (PMTM), far exceeding the 150 statutory minimum.

This service option is a tri-weekly Newton-Wichita-Oklahoma City-Fort Worth train ("Lone Star") with through Chicago cars on the "Southwest Ltd." and connections at Fort Worth (Dallas via bus; points west via "Eagle").

Meeting the statutory criteria above, of course, is not the same as covering 100% of short-term avoidable costs--Amtrak's rule-of-thumb for services Amtrak would add voluntarily. While many of our members understand why Amtrak takes this position, there is a general consensus within our association that, on a very selective basis, it is appropriate for Congress to mandate operation of a route which meets the criteria for existing services even though it fails the much tougher standard Amtrak itself has set for new services.

Mr. Claytor has expressed the concern that making one exception to the tougher standard would lead to a proliferation of exceptions, making Amtrak look like a "pork barrel on wheels" and jeopardizing its survival.

In fact, however, two long-distance services were restored in FY '82, before Claytor came to Amtrak. Although both services failed the tougher 100% cost recovery standard,

- no other exceptions to that standard ensued;
- the systemwide revenue-to-cost ratio continued to rise; and
- the two services at issue are now regarded as viable--year-round daily operation of the "Empire Builder," which formerly ran tri-weekly except during the summer and at Christmas, and tri-weekly operation of the "Cardinal," which had been completely discontinued at the end of FY '81.

The "Lone Star" operation we urge you to force Amtrak to run would involve well under half the additional train-miles that the "Cardinal" required--both trains are tri-weekly and "Cardinal's" route is 908 miles Washington-Chicago while "Lone Star's" is 402 miles Newton-Fort Worth.

Why Oklahoma?: Oklahoma is by far the most populous state without Amtrak service (population 3 million vs. #2 Maine with 1.1 million), and has two of the nation's six largest metro areas lacking rail passenger service.

Oklahoma was the victim of the highly politicized 1979 route restructuring fiasco which saw discontinuance of the "Lone Star" but retention of three routes with inferior ALPM's and four routes with inferior PMTM's. Subsequently, those inferior routes were dropped or restructured, with the survivors all meeting the key ALPM criterion--something which, as noted above, a "Lone Star" revived in the manner suggested by Amtrak's study would do from the date of startup.

Oklahoma citizens have worked diligently ever since 1979 to get service restored. In the absence of congressional action, Amtrak has only been willing to refer the state to Section 403(b), requiring a substantial state contribution. The state's size, the projected economic performance of a tri-weekly "Lone Star," the contribution the route would make to Amtrak's basic system (i.e. provision of a direct link between Kansas City and Texas), and the circumstances under which service was killed in 1979 all argue against forcing Oklahoma to become the only state which participates in section 403(b) simply to receive service, rather than--as in all 403(b) contracts to date--to augment already-existing "basic-system" service.

IV. North-South Stations Rail Link in Boston

Last year, I went into some detail on the extent of our nation's anti-rail/pro-highway bias. Today, I focus on one specific example: the probable failure, due largely to federal funding constraints, of Massachusetts to build a badly needed railroad link between North and South Stations at the same time the Central Artery freeway traversing the same alignment is depressed in a billion-dollar 90% federally funded project.

We think this is a particularly blatant example of today's generation passing on to our grandchildren a recipe for bigger and bigger traffic jams and growing highway fatality rates while missing an opportunity to put a substantial volume of business, commuter, and holiday travel onto the much safer rail mode.

The tunnel is especially logical because it would permit more intensive use of the \$24 billion Northeast Corridor Improvement Project nearing completion now: passenger volumes on the north end of the Corridor would be far greater with through service to points north of Boston than if the service continued to deadend at South Station with no convenient way for passengers to reach North Station.

Our April newsletter includes favorable comments about the North-South Station rail link from Rep. Silvio O. Conte (R-MA), Rep. Edward J. Markey (D-MA), Sen. Claiborne Pell (D-RI), and Rep. Claudine Schneider (R-RI). We also have letters from the Massachusetts Executive Office of Transportation and Construction suggesting that federal policies "have precluded the inclusion of such a link at this time" and from the Federal Railroad Administrator saying "the decision on whether to make the necessary investment...lies principally with the Commonwealth of Massachusetts and the local governments in the Boston area."

The U. S. built--and continues to build--urban freeways with 90% federal money even though their functions are largely local travel, but federal officials eagerly seize opportunities to label a non-highway project as "local," and place the funding responsibilities accordingly. The federal government's funding policies have the practical effect of making highway investments far more attractive than railroad investments.

We understand that, because the design phase of the Central Artery project will last a few years, there may yet be an opportunity to get the rail link included in the project, and we hope the Subcommittee will be receptive to this if things develop favorably.

V. Demise of the "Spirit of California"

This state-supported train linked Los Angeles, Oakland/San Francisco, and Sacramento via Santa Barbara and the coastal route. It was inaugurated in October 1981 and terminated two years later. Amtrak has repeatedly blamed its demise on airline fare wars in the Los Angeles-San Francisco market and on the commitment of Governor Deukmejian to end the service.

We believe, however, that the basic point is somewhat different: Amtrak ignored or rebuffed entreaties from the Brown administration to take special efforts to promote the "Spirit" as soon as the need for such efforts became apparent, well before the 1982 gubernatorial election. Amtrak's failure to act in a timely way made it difficult for the new governor to support continuation of the "Spirit."

One of the steps proponents of the "Spirit" had advocated was institution of discount one-way fares, which seemed logical in a market where people might have been enticed in large numbers to take the train in one direction and fly in the other. Concerns were also raised about the quality of equipment and equipment maintenance associated with the "Spirit's" operation, and with the nonavailability of adequate food supplies.

Perhaps Amtrak is right in claiming that it is not to blame for the train's failure. But we'll never know for sure because Amtrak appeared never to try sincerely to make the train a success, and three years of litigation with Southern Pacific to get the right to run the service went down the drain without a whimper.

VI. Raising Train Speeds and Cutting Costs

NARP members have worked hard on removing artificial restrictions on Amtrak train speeds, with important progress to date in Florida, Michigan, and the City of Dallas. Eliminating speed ordinances reduces Amtrak's subsidy requirements, since faster trains mean higher ridership and revenues, shorter hours for on-board services personnel, and--in some instances--better equipment utilization.

In conclusion, thank you for the opportunity to present this testimony. We appreciate your continuing interest in and support for rail passenger service.

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION
OFFICIALS

STATEMENT OF WILLIAM T. DRUHAN, ON BEHALF OF THE AMERICAN
ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION
OFFICIALS AND THE NATIONAL CONFERENCE OF STATE RAILWAY
OFFICIALS

Senator D'AMATO. The next witness is William T. Druhan, representing the National Safety Conference of State Railway Officials and the American Association of State Highway and Transportation Officials.

Mr. DRUHAN. Good morning, Senator.

For the record, my name is William T. Druhan. We are representing AASHTO, which is the American Association of State Highway and Transportation Officials.

We are here this morning to request an appropriation for the local rail service assistance program in the amount of \$32 million, an appropriation of approximately \$3 million for the railroad safety state participation program, and an additional \$10 million for the section 505 preference share program, and the 511 program to be extended to the extent of \$10 million of the existing unfunded authorization.

We believe that these amounts are modest in comparison with the needs. Some of the needs for these programs by individual States exceed the amount that is available. For example, with regard to the local rail service assistance program, there is an unobligated balance of \$75.5 million. We have asked for the modest amount of \$32 million because that represents the amount that the committees have placed in the Senate budget. When I testified before the House committee, we asked for \$25 million because that was the amount that they requested.

The difficulty that we have is that the States are placed in a position where we have no authority but we have all the responsibility. The Federal Government has granted expedited abandonment procedures throughout the States, but they have taken away from the States the right to improve the property through rehabilitation projects or to purchase the property and other things that are eligible under the local rail service assistance program.

In your area, for example, Senator, in New York, which has been by far the largest contributor to this program, the State of New York has contributed almost as much as the whole Federal Government for the entire Nation, which shows your commitment to this program.

But other States are not in a position to do that type of thing. The chairman's State, for example, receives a very small amount, whereas they have large needs. You are a Conrail State, which accounts for many of your needs, whereas people in the Milwaukee States, Rock Island States, they have different problems which have been generated by the bankruptcy of those railroads, whereas the State in turn does not have any avenue to correct it.

Take the situation in New York with regard to Conrail. The States are precluded from collecting taxes from the railroad. Yet they have an expedited abandonment procedure which compounds the problem of the States.

The situation in the Midwest pertains to even profitable railroads due to the recent mergers. The chairman's State, for example, has problems with what he contends to be excessive abandonments by the Burlington Northern Railroad. These abandonments are in accordance with the prescribed criteria, and objectively we cannot object to it.

But we do object to the fact that we have no other outlet for funding these programs except through the local rail service program to correct the branch line program.

The Administrator testified that he had initiated a strike force to help us combat our problem. But I would submit that if you look into his strike force—as the chairman pressed the point when he testified here, his strike force consists of only four personnel, and they are to operate only part time on this function.

Now, in my judgment this is a reconstitution of what used to be called the Rail Public Counsel, which was active in the 1970's and has since been unfunded. And I submit that what he is doing here is just trying to give us whatever he can. He is very sincere, the best Administrator we have had in my many years up here, and I do not want to fault him.

I do fault the fact that he is very limited and cannot provide the type of assistance that we really need, and his strike force should not be substituted for an assistance program.

Moving on to the State participation program, again I call your attention to the fact that the Appropriations Committee last year placed in its report for appropriation a requirement that the Administrator—and this is the former Administrator—submit to the committee a report which would provide a plan for transferring full fiscal responsibility to the States in such a way as not to require increasing Federal inspectors, nor to jeopardize the State safety program.

Now, that criteria is a mission impossible. It is a Catch-22. He cannot do that. But he did not respond telling you he could not do that. He responded that he took a survey and he believed it was going to be all right. As you read his response, you can read into it several different things.

What we read into it is that a minimum of half the program is going to drop out, because he said that they responded they would drop out, they may drop out, they are unable to assess. 50 percent would do it.

The next witness is going to tell you they took a survey and it showed that only 7 of the 23 respondent States can continue. It just cannot be done.

This is not a grant in aid to the State program; this is a State grant to the Federal Government. Rail safety is the responsibility of the Federal Government. They came to the States and said, we must end the confusion and duplication of effort.

Senator D'AMATO. Let me say at this time, that your time is up, but this committee is sympathetic to your views. I am certain that the elimination, which has been called for in some of these areas, will not take place. Although, given the current constraints, the adequacy of the

funds may not be up to all of your expectations, or certainly maybe up to our own desires. Certainly, we will see what resources can be available for these important activities.

Mr. DRUHAN. Senator, \$3 million spread among 32 States is not a major budgetary item.

Senator D'AMATO. No; it is not. That is one of the things that at times provokes this Senator and maybe even my colleague Senator Andrews to question OMB's judgment where it makes miniscule cuts, basically, in terms of the total budget. Given the fact that we are concerned about our budget problems, this kind of savings really is not savings at all.

Mr. DRUHAN. Actually it is not a saving, because if you cut off our funds the States will cut off the program and you will have to pay the whole amount. So they are going to lose every dollar—they are going to lose \$2 for every \$1 they give us.

Senator D'AMATO. Thank you very much.

Mr. DRUHAN. Thank you, Senator.

One last point, if I may, Senator. We conducted a survey with regard to the use of local rail service programs. If I may, I would like to submit that for your files.

Senator D'AMATO. We would like to have that.

Mr. DRUHAN. It is too bulky for the record, but I would like to submit it to the staff for the file.

Senator D'AMATO. OK, you may. Thank you.

[The statement of Mr. Druhan and the survey follow:]

STATEMENT OF WILLIAM T. DRUHAN

Mr. Chairman, I appreciate very much the opportunity to appear here today to express the Association's views on a number of rail issues.

We are requesting (1) an appropriation for the Local Rail Service Assistance Program in the amount of \$32 million, (2) an appropriation of approximately \$3 million for the continuation of the Railroad Safety State Participation Program, and (3) additional funding of \$10 million for the Section 505 Preference Share Program and continuation of the Section 511 loan guarantee program to the extent of \$10 million of the remaining unfunded authorization.

The amounts being requested for these programs represent the amounts placed in the budget by either the House or Senate authorizing committee. We believe that the needs for these programs are considerably greater than the amounts requested. The needs for the LRSA program, for example, are far in excess of the \$75.5 million unobligated balance. Some individual states have needs in excess of this entire amount. Mr. Chairman, North Dakota has identified rehabilitation projects totaling about \$250 million. Similarly, Mississippi has identified rehabilitation projects totaling \$26 million in the short term and \$56 million long term. We are cognizant, however, of the necessity for not exceeding the budget as there are limited available federal funds for transportation as well as other items in the federal budget. At the same time, we believe there is ample justification for the comparatively extremely modest amounts being requested to warrant appropriations of the entire amounts.

During the past decade a number of major pieces of federal legislation have been enacted that were intended to revitalize the nation's railroad industry. Consequently, considerable progress has been made as evidenced by the improved financial condition of many railroads. Nevertheless, there remain a number of problems which require federal assistance. These problems pertain to branchline abandonments, hazardous material transportation, railroad/highway grade crossings, track and equipment safety, capitalization, and a myriad of others. These problems are encountered in all regions of the country. The federal government must recognize its responsibility to assist in correcting these problems. Also, it should acknowledge that the continuation of these federal programs is extremely important to the future of rail transportation.

Local Rail Service Assistance Program

The Local Rail Service Assistance Program was established by the Regional Rail Reorganization Act of 1973 to provide financial support to the states for the continuation of rail freight service on abandoned light density lines in the northeast. The Railroad Reorganization and Rehabilitation Act of 1976 expanded the program to all states. In 1978 the program was amended to provide capital assistance for rehabilitation and improvements before, rather than after, abandonment. In 1981, the program was further amended to specifically prohibit the use of funds for operating subsidies.

The 4R Act authorized \$360 million for this program of which, through fiscal year 1984,, \$284.5 million has been appropriated leaving a balance of \$75.5 million. As you are aware, the Commerce Committee included \$32 million in the fiscal year 1985 budget for this program, whereas, only \$25 million was included in the House budget. We are requesting, as a minimum, an appropriation of \$32 million.

Since inception, this program has been a catalyst in providing state rail plans on a uniform basis, and assistance for transportation problems. The program has considerably enhanced the economic well being of innumerable communities beyond what could reasonably have been expected considering the limited amount of funds provided by the federal government.

During the past year we undertook a "Survey of State Involvement and Unique Approaches to the Funding of State Rail Programs." A copy of the report is being submitted for your files. It discloses a number of interesting facts. For example, a total of \$317 million federal funds were

contracted between 1978 and 1982. The program requires a match of 30 percent. In fact, 10 times this amount was provided. The states contracted \$643 million, railroads \$281 million and shippers \$54 million. North Dakota received \$3.8 million federal funding, whereas, funding primarily from railroads provided a match of over 50 percent. Mississippi received \$4.5 million federal funding and provided a match of over 50 percent from its own funds and an additional match of over 40 percent from railroads and shippers. I hasten to add, however, that in most states the railroad and shipper funds would not have been made available without the federal and state "seed" funds and in some instances the state funds would not have been available without the federal "seed" funds. In only seven states did state funds exceed federal funds. It should be noted that although every state was entitled to federal funds, 19 states for various reasons could not provide funds, shippers in 16 states did not provide funds (in 12 instances in states where the states also did not provide funds), and railroads in eight states did not provide funds.

Failure to appropriate funds for this program would result in the complete demise of the program in many states. Parenthetically, I should point out that New Hampshire DOT, for example, has been informed that if federal funding is not made available the legislature will not permit even a planning function. Therefore, in this and other instances states will not prepare the annual state rail plans which have proven to be very useful to railroads and shippers. AASHTO believes that failure to appropriate funds is patently unfair because the federal government shares in the responsibility for the problem. Also, contrary to statements made by Administration officials, the problems this program has been designed to alleviate have not been eliminated but rather are continuing and in many instances the situation has been exacerbated by the federal government.

Termination of the program at this time would destroy the uniformity and cohesiveness among the states developed over the past decade for the purpose of solving national branchline problems. The LRSA program is the stylobate upon which the state rail programs are built. The program provides a uniform and timely planning process which is essential to that states individually and collectively. Both the federal and state governments have a role in solving national branchline problems and neither can abdicate its responsibility.

The federal government continues to impose additional abandonment burdens upon the states. The Northeast Rail Service Act of 1981, for example, permitted massive additional abandonments of Conrail lines on an expedited basis. Consequently, Conrail abandoned over 5,000 additional miles concomitant with a reduction in the appropriation for the LRSA program. In addition, the expedited abandonment authority was extended beyond the original termination date which has resulted in considerable additional abandonments.

The Milwaukee Road restructuring and Rock Island liquidation continue to have server adverse impacts on many midwest communities. Also, the recent mergers of a number of Class I railroads are resulting in many branchline abandonments since rationalization of the system was one of the major justifications for such mergers. Practically no area in the country is untouched by the present surge to trim down systems due to the easing of abandonment procedures permitted in federal legislation.

The Surface Transportation Assistance Act of 1982 is also expected to increase railroad abandonments. Productivity increases provided by the truck size and weight provisions in this Act will undoubtedly impact on the relatively shorter haul rail traffic which is the main stay of branchline operations. Diminution of this traffic will undoubtedly result in additional abandonments.

Federal legislation also precludes the states from obtaining funding to alleviate these problems. With regard to the Conrail, for example, the act that permits expedited abandonments also precludes the states from collecting property taxes from the railroad. These taxes are estimated at \$25 million, the same amount budgeted for the entire LRSA program by the House. In addition, you will recall that the 4R Act precludes the states from imposing a number of taxes on railroads. This year the U.S. Supreme Court ruled that Iowa cannot assess a diesel tax on railroads which was to be dedicated to rail issues. Thus, on one hand federal legislation is responsible for state rail

problems and on the other hand federal legislation also prohibits the states usual funding mechanism. Yet the Administration wants to eliminate the funding for the LRSA program.

Congressman Dorgan introduced a bill during this Session providing for the states to voluntarily accept jurisdiction for intrastate rail abandonments similar to present intrastate rate authority. The states had such jurisdiction until 1920 when the federal government preempted it in hopes of assisting rail construction. This bill has apparently not been widely endorsed, and I understand that the Administration will probably be opposed to it. AASHTO has not taken a position on this bill. I bring it up to point out the incongruity of opposing the states controlling abandonments juxtaposed to refusing to assist in financing solutions to the programs resulting from federal jurisdiction of branchline abandonments.

The appropriations provided the LRSA program in recent years have been completely inadequate. In many instances, states have been unable to undertake or continue projects of the highest priority. The appropriation for this program was only \$15 million last year. Twenty-two states received the basic entitlement of \$125,000. Only one state received more than \$1 million. Considering the rehabilitation costs for even a modest sized project, it is obvious that considerable difficulty is encountered in undertaking major projects. As pointed out in our survey mentioned previously, many states have been innovative in leveraging these funds with state funds, railroad funds, and shipper funds, as well as providing the funds on a loan basis in order to attain a revolving fund. Nevertheless, many states have been unable to undertake essential projects.

Last year the Committee expressed concern that many states have failed to implement projects for which they received LRSA funds several years ago. Consequently, the fiscal year 1984 DOT Appropriation Act precludes a state from applying for fiscal year 1984 entitlement funds if pre-1979 funds remain unexpended except where pending litigation has caused such delay.

Actually the states have committed all of the funds made available for fiscal years prior to 1979 by implementing projects. There are, however, many reasons why these funds amounting to \$18.5 million have not been expended. The status of these funds for each of the applicable nine states is attached to this statement. In addition, FRA reports that the total unexpended funds for fiscal years prior to 1984 amounts to \$80.7 million. Of this amount \$56 million is being expended under executed contracts, \$10 million is in contract negotiation and \$3 million is pending litigation. FRA further reports that "while \$10 million remains unexpended in grants which have been terminated, but have not been closed, the affected states are actively working to complete the necessary audits so that the funds can be deobligated and expended under new grants."

In further regard to unexpended funds, it should be recognized that in a number of instances the delays are caused by the small amount of funds made available. The cost of a modest size project can be considerably in excess of one or more years' entitlement. Thus, states delay commencing a project until sufficient entitlements are available. The total entitlement for fiscal years 1983 and 1984 was only \$325,000 for 22 states. Requiring these funds to be committed within a short time frame could be disruptive to prioritizing projects. For example, a number of Rhode Island and Massachusetts Congressmen, including Representative Conte have expressed agreement that a rail link between the North and South Stations in Boston would be a worthwhile and important addition to the area's transportation facilities as well as a great boon to New England travellers. Mr. Conte asked the Massachusetts Office of Transportation and Construction to give him an "idea of its technical feasibility." This Office stated that it "recognizes the desirability of such a railroad passenger service link but the factors of substantial additional capital cost, lack of a funding source and the need to meet a rigid federal financial assistance timetable have precluded the inclusion of such a link at this time." (Emphasis added)

Administrator Riley testified before this Subcommittee that he created a small "strike force" to assist states, shippers and communities to deal with light density line abandonments. We commend this action. We do not, however,

believe that the assistance to be provided by this group should be equated with financial assistance for the LRSA program. This group is to consist of only four persons who will devote part time to the operation. It appears to be either a partial reactivation of the "Office of Rail Public Counsel" which operated in the early 1970's or a mechanism to quickly respond to politically sensitive problem areas. In either instance, they will probably perform a worthwhile service albeit not a substitute for significant financial assistance. Nevertheless, FRA's sensitivity to our problems is most welcome. It appears that the creation of the strike force is an admission by the Administration that the need continues for federal support to assist in alleviating rail branchline problems. We wholeheartedly agree.

Federal Safety State Participation Program

The Railroad Safety State Participation program was established by the Federal Railroad Safety and Hazardous Materials Transportation Control Act of 1970. The program was devised to overcome inadequacies in existing federal and state rail safety regulations, alarming safety problems, and the necessity for active state participation to assure a much higher degree of railroad safety in the years ahead. Congress was convinced at that time that the safety of the nation's railroads, which had a deplorable record, would not be advanced if it continued to be subjected to a variety of enforcement procedures in 50 different judicial and administrative systems.

AASHTO supports the continuation of funding for the program at a level of between \$3 to \$4 million to assure state involvement and thereby prevent a return to the unacceptable conditions which existed prior to enactment of the 1970 Act.

The Act made it clear that rail safety enforcement is unquestionably a responsibility of the federal government. The purpose of the Act was not to abrogate this responsibility but rather to form a partnership with the states to assist in solving a mutual problem. State participation in the program is encouraged by the payment of up to 50 percent of state program costs by the federal government. States perform the rail inspection function with state inspectors. The FRA, on the other hand, supplements the state inspectors and conducts all of the inspections in those states not participating in the program. FRA also monitors the overall administration of the program. This partnership has provided a uniform enforcement of the federal standards among the states.

When enacted there was a unanimity of opinion that this program was necessary. Also, there was no question regarding the paramount importance for rail safety. Nevertheless, this program has had a serious struggle throughout its 14 year existence. Congress continuously prodded the Federal Railroad Administration from 1971 to 1980 to increase the number of states participating in the program. Every year during this period the Congressional reports accompanying authorization acts and transportation safety acts admonished the FRA to fully implement the 1970 Act in accordance with the Congressional mandate. For example, the House report accompanying the Transportation Safety Act of 1974 stated, "Unfortunately, the Committee does not find evidence of a sense of commitment on the part of the Federal Railroad Administration....Indeed, the Committee was alarmed at...the manner in which the agency responds to the intent of Congress in the 1970 Act." Similarly, the House report accompanying the Federal Railroad Safety Authorization Act of 1975 stated, "Testimony before the Committee by FRA tends to support the Committee position that more inspection and enforcement activities are essential to any immediate improvement in railroad safety." This report further stated, "The Committee feels that FRA should move expeditiously to encourage more states to participate in the enforcement of federal rail safety regulations." Efforts were subsequently made by FRA and the states to correct these deficiencies. Unfortunately, commencing in 1981 the Administration has proposed that no further funding be provided this program.

AASHTO is strongly opposed to the fiscal year 1985 budget proposal that no funds be provided for the Railroad Safety State Participation Program. With more than two-thirds of the state representatives participating and with no dissenting votes, AASHTO recently adopted a policy position regarding railroad safety which provided in part: "AASHTO strongly supports the financial role

that the federal government must play in order to insure a continuing federal-state railroad safety participation program promulgated by the Rail Safety Act of 1970."

This program is described in the federal budget for fiscal year 1985 as follows:

"Grants-in-aid for Railroad Safety. -- This program assists states in paying salaries and expenses incurred for state safety inspectors on a 50 percent cost sharing basis."

Expressed in this manner it is understandable why the budget also indicates that "no funds are requested in 1985." I submit, however, that if the program were properly described and understood, funding would be recommended. I suggest that a more accurate description would be as follows:

Federal/State Railroad Safety Program. -- This program forms a federal/state partnership and reimburses states for 50 percent of salaries and expenses incurred for state safety inspectors assisting the federal government in its rail safety responsibilities.

This description recognizes that the federal government is receiving a grant from the states rather than erroneously stating that the federal government is providing grants-in-aid to the states.

This program is probably one of the smallest government programs from a funding standpoint. Currently it is operating with an appropriation of less than \$3 million a year. This amount represents 50 percent of the annual cost incurred by the 32 states for the 101 inspectors presently engaged in the program. In an era when federal funding is typically in billions and hundreds of billions of dollars, considering the possible adverse effects which would result from terminating the funding for this program, such a small program should be continued.

The Senate report accompanying the fiscal year 1984 Appropriation Act instructs the Department to provide a plan for the transfer of full fiscal responsibility for this program to the states in such a way as not to require an increase of Federal inspectors or to jeopardize state safety programs. FRA responded to this request by a letter dated February 7, 1984 to Senator Mark O. Hatfield, a copy of which was attached to Mr. Riley's testimony before the Subcommittee last month. Although the letter purports to be a plan for transferring the program to the states, actually it is an abrogation of federal safety responsibility. In essence, the "plan" provides that federal funding cease on September 30, 1984 and without any basis of support assumes the states will retain its safety inspectors and pay the federal share of the cost for these safety inspectors.

I suggest that the Committee give the FRA plan close scrutiny. In my opinion FRA did not submit a plan. Rather, it submitted a collage of erroneous conclusions based upon a non-supportable survey of state safety program personnel relating to matters which they cannot control nor be in a position to speak with authority.

The letter to Senator Hatfield states that the course proposed "represents an equitable and workable plan for vesting the states with responsibility for their inspectors' salaries and related expense without jeopardizing the state programs or requiring an increase in federal inspectors." FRA cannot support the contention that termination of federal funding will not jeopardize state programs. Further, it cannot support the statement that termination of state programs will not require an increase in federal inspectors. More importantly, there is no support for the FRA statement that "Railroad safety will not be compromised in the process."

The FRA report states, "The effective working relationship established between the states and FRA will continue." Common sense dictates there is no support for this statement. There is evidence to the contrary that if no federal funding is provided the federal-state partnership will be terminated. Consequently, there will be numerous instances of overlapping and duplication of effort between federal and state inspectors. The program was conceived in

order to eliminate these same problems. It seems incongruous to return to such an undesirable situation.

FRA states, "The issue is essentially one of cost effectiveness." It explains that if state inspectors exist solely by virtue of the federal funding there is solid cost-benefit ratio. Conversely, however, if the states are willing to pay the full cost, the cost-benefit ratio to the federal government is negative. In other words, since rail safety enforcement is a responsibility of the federal government, the states assumption of this responsibility by participating in the program results in a favorable cost-benefit ratio to the federal government since it is receiving something at 50 percent of cost. If, however, the government could receive this value without payment no cost-benefit would be received by making payments.

The FRA plan for transferring responsibility for the program to the states is based on a telephone survey whereby state safety program personnel were asked whether the state would continue to provide rail safety inspections if no federal funding were provided. State safety program personnel are not in a position to know whether state funding will be provided if federal funding is terminated, yet it was they who FRA surveyed in preparing their plan. It is difficult to interpret FRA's report on the results. The survey disclosed: Of the 32 participating states 16 were categorized as "reasonably sure to continue," five states "may continue," three states "may drop out," six states "would drop out," and two states were "unable to assess." Despite six states clearly stating they would drop out, FRA unexplainably summarizes the survey stating that at least 28 of the 32 participating states would continue in the program. A more reasonable assessment of the survey results would be that the only conclusion to be drawn with any degree of certainty is that 16 of the 32 participating states are "reasonably sure to continue" if federal funding is discontinued. Considering the uncertainty of predicting what various state legislatures will do if federal funding were terminated, it appears unreasonable to assume that any state other than those "reasonably sure to continue" should be counted upon to remain in the program. One certainly shouldn't assume states will continue in the program when they indicate they "may drop out", "would drop out", or are "unable to assess".

Regardless of the accuracy of the FRA survey, it should be noted that FRA makes no plans for undertaking the inspections that would be performed by the state inspectors which FRA admits will drop out of the program. FRA states, "To the extent that any loss is incurred, it would be more than compensated for by manpower additions at the federal level as we approach the authorized ceiling of 325. These projected numbers are, in our best judgement, equal to the tasks assigned, and we do not envision the need to raise the authorized federal ceilings when the phaseout of federal funding is completed." Considering that FRA admits that only 70 of the 101 state inspectors will remain in the program without federal funding, and the fact it has 310 inspectors currently on board, FRA has either not made provision to undertake the tasks of the departing state inspectors or it does not require all of the 325 authorized federal inspectors. In other words, if the FRA survey proves accurate there will be a shortage of safety inspectors, but if the survey proves overly optimistic there will be a critical shortage of safety inspectors.

In summary, Mr. Chairman, there is no economical or philosophical reason for failing to provide funds for this program. The importance of the program is far out of proportion to the required funding. This program is probably the most cost efficient and effective method for administering a national rail safety inspection program. Failure to fund this program will terminate the existing partnership between the federal and state safety inspectors, thereby reverting to the chaotic situation which existed prior to the establishment of this program. There is a certain irony in the Secretary of the Department of Transportation proclaiming that safety is her top priority and recommending no further funding for this effective program.

Railroad Rehabilitation and Improvement Financial Assistance

The Railroad Revitalization and Regulatory Reform Act of 1976 provides for rehabilitation and improvement financing for railroads through the purchase of redeemable preference shares of the applicant railroad by the federal

government (Section 505) and guaranteed loans for principal and interest for obligations of railroads (Section 511). A total of \$1.4 billion has been authorized for the Redeemable Preference Share Program and \$1 billion has been authorized for the Loan Guarantee Program.

Net of recissions and transfers about \$600 million has been appropriated for the Redeemable Preference Share Program of which \$531 million has been obligated. All but \$1 million of the unobligated funds has been Congressionally designated to seven projects. For the Loan Guarantee Program the net appropriations total \$600 million of which \$263 million has been obligated.

These programs were devised in recognition of the need of many of America's railroads for capital to repair and revitalize their tracks and equipment. The stated purpose of the act was to enable to national railroad system to remain viable in the private sector while providing adequate, safe and efficient transportation services. The Redeemable Preference Share Program was used primarily for rehabilitation projects designed to eliminate deferred maintenance on high density mainlines, whereas, the Loan Guarantee Program was used to support critical freight car and locomotive rehabilitation programs, track upgrading projects, and the funding of labor protection payments to former employees of the Milwaukee Railroad.

The programs have been very successful as evidenced by the many worthwhile projects which have been undertaken. FRA reports that the program made a major contribution in relieving problems requiring immediate redress. It further states that "In the aggregate, the results to date indicate that the Title V program has helped minimize the adverse impact of deferred maintenance on the national rail system by stemming the deterioration of high density mainlines and by providing for rehabilitation of needed equipment which the recipient carriers would not otherwise have been in a position to undertake." In addition, the assistance provided has been a particular factor in aiding several marginal carriers to survive on their own as well as serving as a key tool for resolving a major rail crisis in the midwest, involving the Milwaukee Railroad and the Rock Island, without a public ownership or "Conrail type solution." It can be amply demonstrated that the need for financial assistance continues for many railroads and therefore the programs should be continued.

Many prospective applicants have not submitted requests because of the realization that available Section 505 funds have been earmarked and Section 511 loans will simply not be approved. As mentioned above, recent mergers between several major Class I railroads has resulted in rationalizations which in turn has spurred forming short line railroads. These mergers have also severely impacted other railroads. In many of these instances there is a need for Title V assistance.

STATUS OF PRE-1979 LOCAL RAIL SERVICE ASSISTANCE FUNDS NOT OUTLAYED

CONNECTICUT:	Pre-1979 balance of \$400,000 reserved for acquisition of 3 Penn Central lines in condemnation; final amount recently settled in court is \$1.4 million. The State is currently preparing budget changes and amended financial reports to reflect this recent settlement.
DELAWARE:	Condemnation of Georgetown to Lewes line is still in process; unexpended balance of \$600,000 is awaiting final court settlement.
MICHIGAN:	The entire amount of unexpended LRSA funds (\$729,619) from pre-1979 grants was provided for operating subsidies. The State is anxious to close out all grants existing before FY 1982 and reobligate surplus funds to needed rehabilitation of State-owned rail properties. The State purchased 341.9 miles of track from Penn Central on February 15, 1984.

NEW HAMPSHIRE:

Goodwin Railroad and the State are in litigation over the final amount due to the railroad for accelerated maintenance and operating subsidies. The State has withheld the \$400,000 in pre-1979 funds pending final settlement.

NEW YORK:

The State has \$4.4 million of its unexpended pre-1979 LRSA funds currently under contract, and some undetermined portion of which has already been incurred. The contract on the 65th Street Yard (Brooklyn Waterfront) rehabilitation involving \$1.7 million in LRSA funds was executed in March 1983. The Bay Ridge line improvement (Full Freight Access Program) using \$2.7 million in pre-1979 LRSA funds was contracted in September 1983. The State has told FRA that it will submit a budget revision immediately to transfer the balance of the pre-1979 funds (\$470,000) to the Brooklyn Waterfront project.

OHIO:

The State has approximately \$500,000 of its unexpended pre-1979 funds (\$6,407,810) subject to litigation on an acquisition from Penn Central. The exact amount will be determined by May 1, 1984. Most of the balance of the unexpended funds were granted originally for acquisitions which the State has decided not to pursue. The State has informed FRA that it will close out the two grants and reobligate the surplus funds as soon as possible.

PENNSYLVANIA:

The State has \$2,750,000 in pre-1979 funds granted for subsidy and acquisition which have not been expended. \$200,000 is for subsidy costs in litigation with Maryland and Pennsylvania Railroad; \$50,000 will be needed for acquisition of USRA Line No. 191 which is being condemned. The remaining funds will be reobligated as soon as audits are completed and grants closed.

RHODE ISLAND:

The State has \$1,000,000 in unexpended funds granted for subsidy. The State is awaiting final audit and close out so that funds can be reobligated.

WISCONSIN:

The State has recently submitted a budget revision request to transfer \$358,400 of unexpended pre-1979 funds to an eligible quick-use project. Another request to transfer \$170,000 will be submitted to FRA before April 1, 1984. The remaining unexpended pre-1979 funds (\$204,000) are car ferry subsidy costs in litigation with the Michigan Interstate Railway. The term of the Wisconsin grant has been extended through October 1984.

SURVEY OF STATE INVOLVEMENT AND UNIQUE APPROACHES TO THE FUNDING OF STATE RAIL PROGRAMS

PURPOSE OF THE SURVEY

Beginning with the bankruptcy and near collapse of the Northeast railroad system in the early 1970s and the later bankruptcies of the Milwaukee Road and Rock Island in the West and Midwest, states have played an increasing role in rail transportation. The primary impetus of this involvement was the federal Local Rail Service Assistance Program. This program, as originally developed and amended through the years, provides funds on a matching share basis for planning, subsidies, rehabilitation, substitute service, acquisition and new construction. Some states are also using their own funds for rail programs. The federal program has been supplemented and in some cases dwarfed by these individual state-funded programs.

Since becoming involved in railroad transportation funding, the states have worked together through participation in the AASHTO Standing Committee on Railways, otherwise known as the National Conference of State Railway Officials (NCSRO). The survey was developed and analyzed by a special "Task Force on New Funding Sources and Program Approaches" appointed by the NCSRO Chairman.

This survey was brought about as a result of the significant shortage of funds at the state level, the reductions in funding at the federal level, and the proposed termination of all federal funding for the LRSA Program. The purpose of the survey was to determine the level of state involvement in funding rail programs, to describe existing and potential sources of funding, and to compile project approaches of states which reduce or eliminate the requirement for funding.

Many of the problems resulting from the bankruptcies of the Northeast and Midwest carriers have been addressed, but a substantial need for funds continues to exist. In addition, new abandonment problems are arising as a result of the freedoms granted to the carriers by the Staggers Rail Act. It is believed that a compilation of the survey results in a single report will assist states in exploring ways in which to continue to have an impact on rail transportation needs in a time of reduced funding. A list of contact persons for each state is provided in Appendix B for those desiring more detailed information concerning an individual state's program.

SIGNIFICANT FINDINGS

Some of the significant findings of the NCSRO Survey of State Involvement and Unique Approaches to the Funding of State Rail Programs are:

- Of the 45 states responding to the survey, 43 are administering financial assistance for rail projects.
- Nearly \$1.3 billion has been placed under contract for rail projects in the 1978-1982 period. Projects included in this total are rail line rehabilitation, acquisition, subsidy, new line construction and substitute service. Some states are also sponsoring other projects, including rail passenger service, which are not considered in this survey. The largest provider of funds was the state of New York with over \$500 million. However, a portion of these funds may have been placed under contract prior to 1978. Other states with large expenditures are Maryland, Michigan, Iowa, Wisconsin, Minnesota, South Dakota and Pennsylvania. The survey did not identify the economic benefits of these expenditures. However, they are no doubt significant.
- Rehabilitation represents the largest single category of funding with \$743.5 million, followed by operating subsidies, \$255.3 million; line acquisition, \$155.4 million; new construction, \$76.6 million; and substitute service, \$9.1 million.
- State, local, shipper and railroad project shares totaled \$977.4 million as compared to the federal share of \$317 million.
- General obligation bonds comprise the largest source of state funding followed by special sources such as a dedicated transportation fund. State General Fund revenues also comprise a significant portion of state funding for rail projects. Other fund sources are revenue bonds, diesel fuel taxes and user charges.
- Seventeen states are providing funds on a loan basis. In order to continue funding for rail projects, 15 states place the loan proceeds back into special accounts or comprehensive transportation funds.
- Faced with cutbacks in both federal and state funds, many states are relying on non-financial measures such as brokerage, negotiation and technical assistance in an effort to increase traffic levels.

- Reductions in funding at the federal and the state levels are coming at a time when many states see a continued need for rail line assistance due to proposed rail line abandonments and other changes brought about by the Staggers Rail Act. As federal funding has been reduced more reliance has been placed on state funding.
- Although pessimistic about the future of continued federal assistance, the states strongly believe that it should be continued. The NCSRO has formed a task force to deal with this issue.

GEOGRAPHIC REGIONS

Since its inception, the NCSRO has been divided into three regions. The regions have been altered slightly through the years, but generally they include states with common interests and common rail problems. The states in each of the regions are listed below. The results of the survey are compiled according to these regional boundaries.

Region I

Connecticut, Delaware, Washington, D.C., Illinois, Indiana, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, West Virginia.

Region II

Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia.

Region III

Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin, Wyoming

SUMMARY OF RESPONSES

1. Does The State Administer Financial Assistance For Rail Projects?

Forty-five states responded to the survey. Of this total, only two, the states of Hawaii, and Utah indicated that they did not administer financial assistance. However, it should be pointed out that Hawaii does not have any railroads. The individual state responses are shown in Table 1.

2. Participation By Funding Source

In this question, the states were asked to provide expenditures by projects placed under contract during the 1978-1982 period. A breakdown by type of funding and project was also requested.

Total Funding - The respondents to the survey indicated that nearly \$1.3 billion has been placed under contract for rail projects in the 1978-1982 period. The bulk of the funds, over \$500 million, were contracted by the state of New York¹. Other states with large expenditures are Maryland, \$22.7 million; Michigan, \$191.8 million; Iowa, \$56.2 million; Minnesota, \$27.5 million; Wisconsin, \$33.8 million; Pennsylvania, \$31.3 million; and South Dakota, \$117.4 million. A breakdown of the funding by state and source is shown in Table 2.

¹This represents an approximation as many of these projects may have been placed under contract prior to 1978.

TABLE I

Does the State Administer the Federal Local Rail Service Assistance Program
and/or Any Other Financial Assistance for Rail Line Projects?

Region I

Connecticut	Yes
Delaware	Yes
Washington, D.C.	---
Illinois	Yes
Indiana	Yes
Maine	Yes
Maryland	Yes
Massachusetts	Yes
Michigan	Yes
New Hampshire	---
New Jersey	Yes
New York	Yes
Ohio	Yes
Pennsylvania	Yes
Rhode Island	---
Vermont	Yes

Region II

Alabama	Yes
Florida	Yes
Georgia	Yes
Kentucky	Yes
Mississippi	Yes
North Carolina	Yes
South Carolina	---
Tennessee	Yes
Virginia	Yes
West Virginia	Yes

Region III

Alaska	---	
Arizona	Yes	
Arkansas	Yes	
California	Yes	
Colorado	Yes	
Hawaii		No
Idaho	Yes	
Iowa	Yes	
Kansas	Yes	
Louisiana	Yes	
Minnesota	Yes	
Missouri	Yes	
Montana	Yes	
Nebraska	Yes	
Nevada	Yes	
New Mexico	Yes	
North Dakota	Yes	
Oklahoma	Yes	
Oregon	Yes	
South Dakota	Yes	
Texas	Yes	
Utah		No
Washington	Yes	
Wisconsin	Yes	
Wyoming	---	

TABLE 2

Total Funds Contracted by Source 1978-1982

	<u>Federal</u>	<u>State</u>	<u>Local/Shipper</u>	<u>Railroad</u>
<u>Region I</u>				
Connecticut	\$ 5,698,739	\$ 1,662,155	\$ 46,858	\$ 1,943,880
Delaware	789,500	208,500	40,000	---
Illinois	14,276,888	4,279,502	73,957	687,343
Indiana	4,764,355	---	398,803	1,018,319
Maine	5,934,431	---	299,929	4,800,258
Maryland	8,987,000	12,827,000	915,000	---
Massachusetts	6,179,000	11,419,000	---	---
Michigan	23,675,564	164,747,406	3,429,581	---
New Jersey	4,660,503	167,053	133,132	532,008
New York ¹	42,177,427	316,097,000	---	213,531,447
Ohio	15,445,370	3,962,142	1,652,544	1,356,009
Pennsylvania	18,599,994	6,409,975	3,353,299	2,970,918
Vermont	3,403,510	1,238,520	---	223,406
West-Virginia	5,041,308	500,000	---	296,880
	<u>\$159,633,609</u>	<u>\$523,524,253</u>	<u>\$10,343,103</u>	<u>\$227,360,468</u>
<u>Region II</u>				
Alabama	\$ 1,145,502	\$ ---	\$ ---	\$ 477,831
Florida	3,508,082	---	---	2,441,626
Georgia	1,916,853	209,027	105,000	1,824,300
Kentucky	2,496,431	368,964	260,000	---
Louisiana	2,882,155	---	---	720,539
Mississippi	4,454,671	2,249,335	645,745	1,192,122
North Carolina	1,393,000	52,800	7,800	1,782,000
Tennessee	3,953,299	806,235	487,012	150,000
Virginia	8,613,720	1,417,030	7,330,720	---
	<u>\$ 30,363,713</u>	<u>\$ 5,103,391</u>	<u>\$ 8,336,277</u>	<u>\$ 8,588,418</u>
<u>Region III</u>				
Arizona	\$ 1,881,732	\$ ---	\$ ---	\$ 1,769,289
Arkansas	4,668,808	---	---	2,540,035
California	2,336,500	---	20,000	564,100
Colorado	1,087,469	---	197,510	127,470
Hawaii	---	---	---	---
Idaho	2,238,000	---	---	594,500
Iowa	13,756,000	8,663,000	19,478,000	14,271,000
Kansas	2,403,000	---	430,000	400,000
Minnesota	10,530,200	9,601,667	3,911,438	6,618,500
Missouri	5,941,799	---	112,840	4,346,732
Montana	3,849,768	---	---	1,152,950
Nebraska	---	---	---	---
Nevada	2,024,452	112,231	192,000	602,883
New Mexico	250,000	---	---	570,000
North Dakota	3,845,000	188,000	221,000	1,558,000
Oklahoma	2,838,331	18,914,401	132,240	---
Oregon	1,928,017	---	---	526,647
South Dakota	47,070,389	62,542,212	4,648,000	3,137,817
Texas	5,725,074	---	---	1,842,039
Washington	3,743,073	---	513,972	559,923
Wisconsin	10,830,568	14,720,694	4,881,997	3,389,918
	<u>\$126,948,180</u>	<u>\$114,292,205</u>	<u>\$34,738,997</u>	<u>\$ 44,571,803</u>
Total All States	\$316,945,502	\$642,919,849	\$53,918,377	\$280,520,689

¹These represent approximations only as source of funds and year placed under contract were not specified.

TABLE 3

Total Rehabilitation Funding 1978-1982

	<u>Federal</u>	<u>State</u>	<u>Local/Shipper</u>	<u>Railroad</u>
<u>Region I</u>				
Connecticut	\$ 1,545,537	\$ 487,791	\$ ---	\$ 1,943,880
Delaware	200,000	40,000	---	---
Illinois	5,462,971	1,043,943	---	687,343
Indiana	4,764,335	---	398,803	1,018,319
Maine	5,528,973	---	---	4,800,258
Maryland	4,099,000	2,126,000	---	---
Massachusetts	3,340,000	2,160,000	---	---
Michigan	3,276,618	30,207,223	288,482	---
New Jersey	2,314,574	---	---	532,008
New York	12,510,833	196,370,000	---	210,470,000
Ohio	5,929,734	---	251,094	1,356,009
Pennsylvania	2,286,468	---	570,853	---
Vermont	3,403,510	432,968	---	223,406
West Virginia	3,440,121	500,000	---	1,479,452
	<u>\$ 58,102,674</u>	<u>\$ 223,358,925</u>	<u>\$ 1,509,232</u>	<u>\$ 222,510,675</u>
<u>Region II</u>				
Alabama	\$ 1,145,502	\$ ---	\$ ---	\$ 477,831
Florida	3,508,082	---	---	2,441,626
Georgia	1,916,944	209,027	105,000	1,824,300
Kentucky	2,496,431	368,964	260,000	---
Louisiana	2,882,155	---	---	720,539
Mississippi	4,114,671	2,249,335	509,745	1,192,122
North Carolina	1,393,000	52,800	7,800	1,782,000
Tennessee	3,527,167	762,835	404,090	150,000
Virginia	1,740,450	80,600	73,200	---
	<u>\$ 22,724,402</u>	<u>\$ 3,723,561</u>	<u>\$ 1,359,835</u>	<u>\$ 7,867,879</u>
<u>Region III</u>				
Arizona	\$ 1,881,732	\$ ---	\$ ---	\$ 1,769,289
Arkansas	4,668,808	---	---	2,540,035
California	1,256,500	---	---	314,100
Colorado	297,429	---	---	127,470
Hawaii	---	---	---	---
Idaho	2,238,000	---	---	594,500
Iowa	13,756,000	8,663,000	19,478,000	14,271,000
Kansas	1,403,000	---	430,000	400,000
Minnesota	9,182,200	9,601,667	3,911,438	6,618,500
Missouri	5,941,799	82,304	112,840	4,346,732
Montana	4,049,768	---	---	1,152,950
Nebraska	---	---	---	---
Nevada	618,078	112,231	192,000	---
New Mexico	250,000	---	---	570,000
North Dakota	4,685,000	188,000	---	1,557,600
Oklahoma	2,189,531	652,201	132,240	---
Oregon	1,928,017	---	---	526,647
South Dakota	47,070,389	7,771,878	3,988,000	3,137,817
Texas	5,725,074	---	---	1,842,037
Washington	2,998,446	---	454,828	314,999
Wisconsin	7,032,445	3,771,382	4,227,969	1,699,900
	<u>\$ 117,172,216</u>	<u>\$ 30,842,663</u>	<u>\$ 32,927,315</u>	<u>\$ 41,783,576</u>
Total All States	\$ 197,999,292	\$ 257,925,149	\$ 35,796,382	\$ 272,162,130

Rehabilitation - This represents the largest single category of expenditure during the 1978-1982 time period. Approximately \$763.9 million was utilized for this purpose. This represents 59 percent of the funding and is consistent with the intent of most states to use funding for projects which have long-term economic viability. The breakdown of funding by state and source is shown in TABLE 3.

Line Acquisition - Approximately \$155.4 million was utilized by the states for acquisition of rail lines during the 1978-1982 time period. The states with the largest expenditures are Michigan, Oklahoma, South Dakota and Wisconsin. Over 80 percent of the acquisitions were made from state fund sources. The breakdown of funding by state and source is shown in TABLE 4.

New Line Construction - Funding for this purpose totalled \$76.6 million for the 1978-1982 period. Michigan was the largest sponsor of new line construction with over \$63 million in funding. New York, Ohio and California are other large project sponsors. The breakdown of new line construction funds by state and source is shown in TABLE 5.

Substitute Service - These projects are designed to alleviate the adverse impacts of line abandonment in a manner which is less expensive than the costs of continuing rail service. Approximately \$9.1 million has been made available for projects such as shipper relocation, rail-truck transfer facilities and county road upgrading. While substitute service is the lowest category in terms of dollars, a total of nine states have sponsored projects. The breakdown of dollars by state and source and listing of projects is shown in TABLE 6.

Operating Subsidies - During the 1978-1982 period, operating subsidies were second only to rehabilitation in funding magnitude. Approximately \$255.3 million was provided for this purpose. Seventy-four percent of this total came from state sources. Nearly all of the subsidies occurred in the Northeast. Only four states outside of this region sponsored subsidies. The subsidies have nearly been eliminated as only \$43.1 million was provided for this purpose in 1982. TABLE 7 shows the subsidy breakdown by state.

TABLE 4
Line Acquisition Funding 1978-1982

	<u>Federal</u>	<u>State</u>	<u>Local/Shipper</u>	<u>Railroad</u>
<u>Region I</u>				
Connecticut	\$ 2,561,773	\$ 814,851	\$ ---	\$ ---
Delaware	427,500	133,500	---	---
Illinois	44,800	11,200	73,957	---
Maryland	---	9,295,000	---	---
Massachusetts	---	8,010,000	---	---
Michigan	---	15,411,921	---	---
New Jersey	1,526,280	151,053	18,500	---
New York	---	---	6,577,000	---
Ohio	4,491,666	1,840,142	---	---
Pennsylvania	5,681,526	453,875	132,446	77,960
Vermont	---	942,200	---	---
West Virginia	---	---	---	1,437,428
	<u>\$14,733,545</u>	<u>\$ 37,063,742</u>	<u>\$ 6,801,903</u>	<u>\$1,515,388</u>
<u>Region II</u>				
Mississippi	\$ 340,000	\$ ---	\$ 136,000	\$ ---
Virginia	<u>2,000,000</u>	<u>---</u>	<u>6,660,000</u>	<u>---</u>
	<u>\$ 2,340,000</u>	<u>\$ ---</u>	<u>\$ 6,796,000</u>	<u>---</u>
<u>Region III</u>				
Colorado	\$ 23,040	\$ ---	\$ 5,760	\$ ---
Oklahoma	---	18,262,200	---	---
South Dakota	---	54,770,334	660,000	---
Washington	4,800	---	1,200	---
Wisconsin	<u>---</u>	<u>10,428,014</u>	<u>354,009</u>	<u>942,069</u>
	<u>\$ 676,640</u>	<u>\$ 83,460,548</u>	<u>\$ 1,020,969</u>	<u>\$ 942,069</u>
Total All States	\$17,750,185	\$120,524,290	\$14,618,872	\$2,457,457

TABLE 5
New Line Construction Funding 1978-1982

	<u>Federal</u>	<u>State</u>	<u>Local/Shipper</u>	<u>Railroad</u>
<u>Region I</u>				
Connecticut	\$ 140,141	\$ 15,731	\$ ---	\$ ---
Michigan ¹	---	63,456,476	---	---
New York	4,735,000	3,702,000	---	13,447
Ohio	---	2,050,000	---	---
Pennsylvania	132,000	---	---	30,000
	<u>\$5,007,141</u>	<u>\$69,224,207</u>	<u>\$ ---</u>	<u>\$ 43,447</u>
<u>Region II</u>	\$ ---	\$ ---	\$ ---	\$ ---
<u>Region III</u>				
California	\$1,080,000	\$ ---	\$ 20,000	\$ 250,000
Colorado	767,000	---	\$191,750	---
	<u>\$1,847,000</u>	<u>\$ ---</u>	<u>\$211,750</u>	<u>\$ 250,000</u>
Total All States	\$6,854,141	\$69,224,207	\$211,750	\$ 293,447

TABLE 6
Substitute Service Funding 1978-1982

	<u>Federal</u>	<u>State</u>	<u>Local/Shipper</u>	<u>Railroad</u>
<u>Region I</u>				
Illinois ²	\$ 164,800	\$ 41,200	\$ ---	\$ ---
New Jersey	89,278	---	---	---
New York ³	220,000	1,115,000	---	3,048,000
Ohio ⁴	534,281	---	133,569	---
	<u>\$1,008,359</u>	<u>\$ 1,156,200</u>	<u>\$133,569</u>	<u>\$3,048,000</u>
<u>Region II</u>				
Virginia ⁵	\$ 250,000	\$ 525,080	\$ ---	\$ ---
<u>Region III</u>				
Minnesota ⁶	\$ 448,000	\$ ---	\$ 90,000	\$ ---
Nevada ⁷	1,206,374	---	---	602,883
North Dakota ⁸	510,000	---	219,000	---
Wisconsin ⁹	18,400	---	2,300	---
	<u>\$2,182,774</u>	<u>\$ ---</u>	<u>\$311,300</u>	<u>\$ 602,883</u>
Total All States	\$3,441,133	\$ 1,681,280	\$444,869	\$3,650,883

¹Of this amount, \$21,705,684 was used for new rail facilities including yards, sidings, connecting track, engine houses, etc., in support of economic development projects. The remaining \$41,750,792 was used for the construction of an integrated tug-barge system for the transport of railcars on the Great Lakes.

²Relocate shipper facility.

³Intermodal operations, team track, and rail-truck transfer facility.

⁴Rail-truck transfer facility, side track and new connection.

⁵Rail siding, coal dump site, trucks and front end loader.

⁶Upgrade county roads.

⁷Intermodal freight terminal.

⁸Grain handling facilities, subterminal siding and alternate inventory connection.

⁹Rail-truck transfer facility.

TABLE 7
Total Subsidy Funding 1978-1982

	<u>Federal</u>	<u>State</u>	<u>Local/Shipper</u>	<u>Railroad</u>
<u>Region I</u>				
Connecticut	\$ 1,477,308	\$ 349,792	\$ 46,858	\$ ---
Delaware	80,000	20,000	40,000	---
Illinois	8,604,317	3,183,159	---	---
Indiana	---	---	---	---
Maine	405,459	---	299,929	---
Maryland	4,888,000	1,406,000	815,000	---
Massachusetts	2,839,000	1,249,000	---	---
Michigan	20,398,951	55,643,945	3,141,099	---
New Jersey	730,371	16,000	114,632	---
New York	---	109,910,000*	---	---
Ohio	4,545,201	---	1,267,886	---
Pennsylvania	10,500,000	5,956,100	2,650,000	2,862,958
Vermont	---	805,561	---	---
West Virginia	1,601,187	---	---	---
	<u>\$34,468,607</u>	<u>\$178,539,557</u>	<u>\$8,375,404</u>	<u>\$2,862,958</u>
<u>Region II</u>				
Alabama	\$ ---	\$ ---	\$ ---	\$ ---
Florida	---	---	---	---
Georgia	---	---	---	---
Kentucky	---	---	---	---
Louisiana	---	---	---	---
Mississippi	---	---	---	---
North Carolina	---	---	---	---
Tennessee	---	---	---	---
Virginia	4,623,270	811,350	597,520	---
	<u>\$ 4,623,270</u>	<u>\$ 811,350</u>	<u>\$ 597,520</u>	<u>\$ ---</u>
<u>Region III</u>				
Arizona	\$ ---	\$ ---	\$ ---	\$ ---
Arkansas	---	---	---	---
California	---	---	---	---
Colorado	---	---	---	---
Hawaii	---	---	---	---
Idaho	---	---	---	---
Iowa	---	---	---	---
Kansas	---	---	---	---
Minnesota	900,000	11,500	140,300	---
Missouri	---	---	---	---
Montana	---	---	---	---
Nebraska	---	---	---	---
Nevada	---	---	---	---
New Mexico	---	---	---	---
North Dakota	---	---	---	---
Oklahoma	---	---	---	---
Oregon	---	---	---	---
South Dakota	---	---	---	---
Texas	---	---	---	---
Washington	---	---	---	---
Wisconsin	2,488,078	1,438,858	---	---
	<u>\$ 3,388,078</u>	<u>\$ 1,450,358</u>	<u>\$ 140,300</u>	<u>\$ ---</u>
Total All States	\$62,479,955	\$180,801,265	\$9,113,224	\$2,862,958

* Breakdown not provided.

3. Use Of State Funds Through A State Rail Plan

In this question, the states were asked to indicate if state-funded projects were included in the state rail plan. If they were not included, the criteria used to evaluate or prioritize them was to be identified.

Only five states indicated that state-funded projects are not included in the state rail plan. The criteria used to prioritize these projects was either similar to the Federal Railroad Administration's benefit/cost guidelines or within the framework of the state's own program objectives. The state responses are shown in TABLE 8.

4. Sources Of State Funds

- a. Indicate the total amount of state funds received or anticipated from each of the following sources by the state for rail line assistance projects during the five fiscal (July 1-June 30) year period 1978-1982 and the next three fiscal years.

General Revenue Funds - This was one of the most common sources of funds for both time periods. Over \$120.9 million was available during the years 1978-1982. An additional \$47.6 million is anticipated for the years 1983-1985. The number of states utilizing this source of funds has dropped from 19 in 1978 to 1982 to 13 in the 1983-1985 period.

General Obligation Bonds - This represents the greatest dollar amount of any source in the 1978-1982 time period. A total of \$247.3 million was available. However, only six states used this source led by New York's large bond issues in 1974 and 1979. Approximately \$16.6 million is expected to be available for the years 1983-1985.

Revenue Bonds - South Dakota was the only state to use this source during 1978-1982. Only the state of Kentucky will rely on this source in the 1983-1985 period. South Dakota issued \$30.8 million in revenue bonds. Kentucky will obtain a total of only \$150,000.

TABLE 8

Are Projects Which Do Not Use Federal Funds Included In The State Rail Plan? If Not, What Evaluation Criteria Are Used?

Region I

Connecticut	Yes
Delaware	No
Illinois	No
Indiana	No--B/C criteria similar to FRAs
Maine	Yes
Maryland	Yes
Massachusetts	Yes
Michigan	Yes
New Jersey	Yes
New York	No--B/C criteria within framework of program objectives
Ohio	Yes
Pennsylvania	Yes
Vermont	Yes
West Virginia	Yes

Region II

Alabama	N/A
Florida	N/A
Georgia	N/A
Kentucky	Yes
Louisiana	N/A
Mississippi	Yes
North Carolina	Yes
Tennessee	Yes
Virginia	No--Minor modifications to FRA's benefit/cost criteria

Region III

Arizona	N/A
Arkansas	N/A
California	Yes
Colorado	N/A
Hawaii	N/A
Idaho	N/A
Iowa	Yes
Kansas	Yes
Minnesota	Yes
Missouri	Yes
Montana	N/A
Nebraska	N/A
Nevada	No
New Mexico	Yes
North Dakota	N/A
Oklahoma	Yes
Oregon	N/A
South Dakota	Yes
Texas	N/A
Washington	Yes
Wisconsin	Yes

Charge On Users - The states of Maryland, Oklahoma and South Dakota obtained \$8.0 million from this source in the years 1978-1982. Maryland and South Dakota will obtain \$5.2 million during 1983-1985. The nature of the user charges by these states was not provided.

Railroad Fuel Tax - The state of West Virginia obtained \$33,939 from this source in the 1978-1982 period. The state of Iowa, through the Iowa Rail Finance Authority, anticipates obtaining \$16,000,000 from this source. Currently, Iowa's program is held up in the courts. Resolution of the matter is anticipated in FY 1984.

Special Fund - A total of nine states obtained \$128.3 million from special fund sources in the years 1978-1982. Nine states also expect to receive \$95.6 million in special funds in the years 1983-1985. Transportation Trust Funds are the most prevalent type of special funds used by the states. TABLE 9 and TABLE 10 illustrate the available dollars by state and fund source.

- b. Are there any additional sources of funding which have been considered or are being considered for use in the future? If yes, please describe.

Twelve states indicated that additional sources of funding were being considered. Three were considering the use of general fund appropriations. Missouri is considering an excise tax on diesel fuel. New Mexico is considering a state severance tax and Montana has considered issuing rail bonds which would not have the backing of the state's faith and credit.

The states of New Jersey and Massachusetts are considering rent or trackage rights fees from use of publicly owned or controlled lines. Illinois may create a special fund using capital loan repayments and operating overpayments. The fund could then be used for future projects.

TABLE 9

State Fund Sources 1975-1982

Region I	General Revenue Fund	General Obligation Bonds	Revenue Bonds	Charge On Users	Railroad Fuel Tax	Special Fund
Connecticut	\$ 388,481	\$ 1,454,673	\$ ---	\$ ---	\$ ---	\$ ---
Delaware	---	---	---	---	---	800,000 ¹
Illinois	2,536,300	---	---	---	---	2,960,000 ²
Indiana	3,300,000	---	---	---	---	375,000 ³
Maryland	---	9,255,000	---	915,000	---	3,532,000 ⁴
Massachusetts	---	24,500,000	---	---	---	---
Michigan	---	---	---	---	---	85,000,000 ⁵
New Jersey	16,000	151,053	---	---	---	---
New York	30,000,000	211,500,000	---	---	---	---
Ohio	---	---	---	---	---	2,000,000 ⁶
Pennsylvania	5,956,100	420,875	33,000	---	---	---
Vermont	200,000	---	---	---	---	1,545,561 ⁷
West Virginia	2,623,935	---	---	---	33,939	---
	\$ 43,011,416	\$247,321,601	\$ 33,000	\$ 915,000	\$33,939	\$ 96,412,561
Region II						
Georgia	\$ 210,027	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Kentucky	368,964	---	---	---	---	---
Mississippi	2,249,333	---	---	---	---	---
North Carolina	400,000	---	---	---	---	---
Tennessee	796,235	---	---	---	---	---
Virginia	525,080	---	---	---	---	891,950
	\$ 4,349,641	\$ ---	\$ ---	\$ ---	\$ ---	\$ 891,950
Region III						
Iowa	\$ 8,000,000	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Minnesota	9,831,000	---	---	---	---	---
Nevada	---	---	---	---	---	327,000 ⁸
New Mexico	171,428	---	---	---	---	---
Oklahoma	22,000,000	---	---	4,070,107	---	---
South Dakota	31,200,000	---	30,800,000	3,000,000	---	---
Wisconsin	---	---	---	---	---	30,661,800 ⁹
	\$ 71,222,428	\$ ---	\$30,800,000	\$7,070,107	\$ ---	\$ 30,988,800
Total All States	\$120,783,485	\$247,321,601	\$30,833,000	\$7,985,107	\$33,939	\$128,293,311

¹ Turnpike revenues² Transportation Road Fund³ 10 percent of Railroad Property Tax⁴ Transportation Trust Fund⁵ Comprehensive Transportation Fund Bonds, retired from gas tax, sales tax and auto registration tax revenues⁶ State Rotary Rail Property Acquisition Account⁷ Transportation Fund⁸ State Transportation Fund⁹ State Transportation Fund

TABLE 10

State Fund Sources 1983-1985

Region I	General Revenue Fund	General Obligation Bonds	Revenue Bonds	Charge On Users	Railroad Fuel Tax	Special Fund
Connecticut	\$ ---	\$ 2,000,000	\$ ---	\$ ---	\$ ---	\$ ---
Illinois	1,770,000	---	---	---	---	---
Indiana	2,750,000	---	---	---	---	---
Maine	---	1,200,000	---	---	---	---
Maryland	---	2,075,000	---	395,000	---	3,377,000 ¹
Michigan	---	---	---	---	---	60,000,000 ²
New Jersey	3,500,000	---	---	---	---	---
New York	15,000,000	---	---	---	---	---
Ohio	---	---	---	---	---	2,000,000 ³
Pennsylvania	10,000,000	5,000,000	---	---	---	---
West Virginia	2,520,000	---	---	---	18,000	---
	\$35,540,000	\$10,275,000	\$ ---	\$ 395,000	\$ 18,000	\$65,377,000
Region II						
Kentucky	\$ 100,000	\$ ---	\$150,000	\$ ---	\$ ---	\$ ---
Mississippi	4,750,665	---	---	---	---	---
North Carolina	200,000	---	---	---	---	---
Tennessee	---	---	---	---	---	1,500,000 ⁴
Virginia	1,000,000	---	---	---	---	123,000
	\$ 6,050,665	\$ ---	\$150,000	\$ ---	\$ ---	\$ 1,623,000
Region III						
Iowa	\$ 3,000,000	\$ ---	\$ ---	\$ ---	\$16,000,000	\$10,500,000 ⁵
Minnesota	---	6,300,000	---	---	---	---
Montana	---	---	---	---	---	730,634 ⁶
Nevada	---	---	---	---	---	327,000 ⁷
New Mexico	128,571	---	---	---	---	---
South Dakota	---	---	---	4,800,000	---	---
Washington	2,000,000	---	---	---	---	---
Wisconsin	---	---	---	---	---	17,652,000 ⁸
	\$ 5,128,571	\$ 6,300,000	\$ ---	\$4,800,000	\$16,000,000	\$28,552,434
Total All States	\$46,719,236	\$16,575,000	\$150,000	\$5,195,000	\$16,018,000	\$95,552,434

¹Combination of Transportation Trust Fund and Economic and Community Development Funds²Comprehensive Transportation Fund Bonds totaling \$60 million will be sold in FY 1984. The dollar amount which will be allocated to rail freight projects from this sale has not been determined.³State Rotary Rail Property Acquisition Account⁴Highway Users⁵Combination of Delinquent Property Tax and Wheel Car Tax⁶Railroad Loan Repayments⁷State Transportation Fund⁸State Transportation Fund

The state of Maine is considering establishing a program with an amount equivalent to the state excise tax paid by the rail carriers on an annual basis. Finally, Wisconsin has considered transferring its car line tax receipts from the General Fund to the Transportation Fund.

5. Loan Programs And Terms

In this question, the states were asked to indicate if the funding was provided on a grant or loan basis. The terms of the loan programs were to also be provided.

Seventeen states are involved in loaning funds for rail projects. Six of the states provide funds on a no-interest basis. Fifteen states place the loan repayments in a special fund for additional projects or in the state's transportation fund. Payback periods range from 5 to 40 years, depending on the type of project. Most states can establish terms on a project basis. Interest rates vary from 5½ percent to 75 percent of the prime rate. The individual state responses are shown in TABLE 11.

6. Loan Guarantee Programs

The states were asked to indicate the degree of involvement in loan guarantee programs and how the guarantees were applied and secured.

Only the states of Maryland and Minnesota are providing loan guarantees. Maryland guarantees payment of principal and interest on revenue bonds issued by local governments or special purpose districts. The guarantees are limited to \$10 million and may require a lien as collateral.

Minnesota guarantees payment of principal and interest on operator or shipper loans and revenue bonds by local governments or special purpose districts. Guarantees are limited to ten times the amount in the state's account. Collateral of land, buildings, machines, or equipment, etc., may be required.

TABLE II

State Loan Programs And Terms

Region I

Illinois —	Ten year life or until repaid. Repayments based on cars transported. Currently no interest is charged. Proceeds placed in General Revenue Fund.
Indiana —	Twenty year life for acquisition loans, eight years for rehabilitation loans. Interest rate based on T-Bill rate less one-third. Proceeds are placed in special fund for rail projects.
Maryland —	Twenty-five to 30 year payback. Interest payments only for first two years. Interest rate is state bond rate or 75 percent of prime. Proceeds are placed in General Revenue Fund.
Michigan —	Five to 40 year payback depending on project. Repayments based upon carloadings with agreed minimum. Interest rate depends on project but is currently 4½-5 percent. Proceeds are placed in Comprehensive Transportation Fund.
Vermont —	No interest loans are repaid over ten years. Loan proceeds are placed in the State Transportation Fund.

Region II

Alabama —	Loans are repaid in equal installments over 10 years. Loan proceeds are placed in a special interest bearing account for rail projects.
Arkansas —	No interest loans are repaid over 10 years. Loan proceeds are placed in a special interest bearing account for rail projects.
Florida —	Interest free loans are repaid in 10 years. Loan proceeds are placed in a special fund for rail projects.
Mississippi —	Loans are repaid in equal installments over five years. Loan proceeds are placed in a special fund for rail projects.
North Carolina —	Loans are repaid in equal installments over five years. Loan proceeds are placed in a special fund for rail projects.

Region III

Iowa —	DOT loans are ten year payback based on line revenues. The Iowa Rail Finance Authority (IRFA) can make loans of seven year payback for rehabilitation and ten years for acquisition. The DOT does not charge interest. IRFA will charge interest based on the rate of similar treasury bonds. This base may be reduced depending on public benefit. Money received from the repayment of these loans is placed in a special fund for additional rail projects.
Minnesota —	Ten year loan payback based on carloadings or equal installments. Interest rate is negotiable (currently 5½ percent). Loan proceeds are placed in a special fund for rail projects.
Montana —	Ten year loan payback at negotiated interest rate (current y 5½ percent). Loan proceeds are placed in a special fund for rail projects.
North Dakota —	Ten year loan payback at negotiated interest rate (currently 5½ percent). Loan proceeds are placed in a special fund for rail projects.
South Dakota —	Variable terms as determined by the State Railroad Board. Loan proceeds are placed in a special fund for rail projects.
Washington —	LRSF funds are loaned for five years at 5½ percent interest. General Fund loans with ten year payback with interest rate to be determined. All loan proceeds are placed in a special fund for rail projects.
Wisconsin —	Loans are of variable length with interest based on the current state investment rate. Repayment is based on carloadings. Loan proceeds are placed in the State Transportation Fund.

7. Approaches Which Reduce The Need For Funding

Has your state identified any approaches for accomplishing rail line assistance projects which reduce or eliminate the need for funds? If yes, please describe.

There are a variety of approaches being used by the states which reduce the need for funding. Several states are relying on interest bearing loans and returning the proceeds to a special account to be used for additional projects. Many states are relying on brokerage, negotiation and technical assistance in an effort to increase traffic levels or concentrating their remaining funds on projects which increase traffic or transportation efficiencies. The individual state responses are shown in TABLE 12.

8. Approaches Other Than Financial Assistance

Are there approaches other than financial assistance to accomplish rail service preservation or improvements? If yes, please describe.

Most of the states responding believe that the best non-financial approaches to rail service preservation are increased communication between shippers and carriers, early identification of potential abandonments, cooperative efforts to increase business, and technical assistance. The individual state responses are shown in TABLE 13.

9. Future of Financial Assistance

What does your state perceive as the future for federal or state financial assistance?

The majority of the states believe that federal assistance will be eliminated. Many of the states will be relying on their own funding but they are also encountering reduced levels of state funding. The reduction in funding at the federal and state level is coming at a time when many states see a continued need for rail line assistance. The responses for each state are shown in TABLE 14.

TABLE 12

Approaches Which Reduce Or Eliminate Fund Needs

Region I

Connecticut	Tax exemption in exchange for like expenditure on state-approved project.
Illinois	Shipper, railroad and local government contributions and brokering substitute service.
Indiana	Grade crossing elimination.
Maine	Reduced state share.
Maryland	Reduced state share; more local participation. Limited to capital assistance.
Michigan	Changing from grants to loans. Examination of all potential modal and intermodal options for resolving freight movement problems. Increased participation of local governments, shippers, and public and private economic development interests.
New Jersey	Changes in service frequency, establishment of guaranteed carload contracts, short lines.
New York	Negotiated solution process.
Ohio	Technical assistance to develop corrective action subsequently funded through combination of local and/or railroad funds.
Vermont	Lease payments on state-owned railroads placed in special fund and returned to lines for projects.

Region II

Louisiana	Negotiation.
Mississippi	Require railroad to increase maintenance thus reduce rehabilitation costs. Coordinate with shippers and railroad to increase business.
Virginia	Use brokerage approach in getting all parties to make concessions aimed at increasing traffic.

Region III

Iowa	Establish a self-perpetuating fund through a roll-over of loan repayments using a fuel tax as leverage for bonds.
Kansas	Act as mediator between railroad and shippers to encourage them to develop solutions.
Minnesota	Interest bearing ten year loans. Foster good railroad-shipper communication.
South Dakota	Abandonment of unnecessary lines.
Washington	Utilization of funds for interest loans. Proceeds to be placed in self-perpetuating revolving loan account.
Wisconsin	Use of B/C analysis to eliminate projects that do not improve trans. efficiencies.

TABLE 13

Approaches Other Than Financial Assistance

Region I

Illinois	Technical support to bring parties together.
Indiana	Greater shipping and better equipment utilization.
Maryland	No. Believe financial assistance from some party is always required.
Massachusetts	Railroad-User agreements.
Michigan	Technical assistance.
New Jersey	Changes in service requirements, service frequencies and establishment of service contracts. Brokering of service agreements between shippers and carriers.
Ohio	Technical assistance to develop corrective action subsequently funded through combination of local and/or railroad funds.
Vermont	Encourage industrial development along railroad lines and tax relief.

Region II

Alabama	Involve shippers and local governments and establish guaranteed shipments or surcharges.
Georgia	Oppose abandonment through ICC and the courts.
Kentucky	Early identification of potential abandonments, work with shippers and communities to encourage rail use and locate new industry.
Louisiana	Negotiation.
Mississippi	Program to get shippers and railroad working together to increase business and reduce economic burden on railroad.
North Carolina	Identify and work with shipper groups early in the process to identify possible sources of additional revenue.
Virginia	Use brokerage approach in getting all parties to make concessions aimed at increasing traffic.

Region III

California	Donation of rail line by owner for tax purposes.
Idaho	Involve railroads, shippers and others well in advance so that appropriate action can be taken.
Iowa	"Use it or lose it" approach with shippers.
Minnesota	Foster communication between shippers.
Montana	Regulation.
Oklahoma	Utilization of Section 401 of the 4R Act.
South Dakota	System restructuring beneficial to railroads.
Texas	Provide channels for increased communication between rail users and railroads.
Washington	Technical assistance and foster improved communications between shippers and carriers.
Wisconsin	Technical assistance.

TABLE 14

The Future Of State And Federal Financial Assistance

Region I

Connecticut	Rail line acquisitions and capital projects within or adjacent to rail right of way.
Delaware	Limited to none.
Illinois	Federal assistance eliminated. State assistance hopefully increased to compensate for lower federal funding.
Indiana	Assistance will be provided to a few special projects. Funds will be provided when shippers and railroads assume a financial risk.
Maine	State assistance essential to maintain service to rural areas. Future service needs must be known before long-term impacts of short-term adjustments can be risked.
Maryland	Federal assistance terminated. Limited state assistance where local commitments exist and other transportation alternatives do not.
Massachusetts	Minimal or zero federal funding. Continued modest state funding.
Michigan	It is obvious that federal assistance as we know it today will be phased out. Michigan intends to lobby for the adoption of replacement federal programs which would complement previous assistance as well as current state funding capabilities.
New Jersey	Federal assistance to disappear. State assistance has been made available in FY 84 and is expected to continue at a \$2.5 million annual rate.
New York	Continued need for governmental assistance to protect commerce and industry and improve rail infrastructure.
Ohio	Some federal funding to remain. States will need to develop their own programs to fill in for declining federal dollars.
Pennsylvania	Anticipates a reduction and possible elimination of federal funding and an increase in state financial assistance.
Vermont	State assistance will continue as necessary to preserve rail service within reasonable costs. Federal assistance may continue to a limited degree but will not meet state's needs.
West Virginia	Continued state financial assistance based on the ability of the General Revenue funds to support it.

Region II

Alabama	Limited future for federal or state financial assistance.
Florida	The future for federal financial assistance appears bleak. However, the Florida DOT is working to encourage shippers and local governments to participate in funding rail line preservation projects.
Georgia	Some type of program is needed to provide seed money to leverage railroad and local projects which would retain needed rail services.
Louisiana	Funds will continue to be needed.
Kentucky	Continued federal assistance is needed as future abandonments are going to start affecting state secondary lines, not just local service lines.

TABLE 14 (Continued)

Region II con't

Mississippi	Federal assistance must continue. The state must take on more of the burden itself if federal programs are reduced or eliminated.
North Carolina	Partial compensation for loss of federal funds with state funds is possible.
Tennessee	State funds are and will continue to be very limited.
Virginia	Future for federal funding is not good. State financial assistance is highly questionable.

Region III

Arizona	None.
Arkansas	Fed. assistance is needed for another five years. Counties authorized to join together to issue IDBs for rail projects.
California	Uncertain due to federal and state fiscal constraints.
Colorado	Questionable. State will no longer fund project administration costs.
Idaho	Little or no federal or state assistance beyond 1983.
Iowa	Clear need for federal and state assistance. Doubtful that federal assistance will continue beyond few years. States must develop or continue financial assistance programs, including local participation.
Kansas	Contemplating state funding. Federal funds needed in interim.
Minnesota	Federal funding is bleak. State funding will have to come from bond sales.
Missouri	State legislation proposed to supplement/replace loss of federal funds.
Montana	Dismal if not supported by federal assistance. Possible state funding through rail bonding or rail fuel tax strongly opposed.
Nebraska	Neither state nor federal funding sources are promising.
Nevada	Federal assistance expected to cease. Not enough emphasis to institute a state-funded program.
New Mexico	Future for all state and federal assistance to be austere. Block grants for multimodal transportation projects suggested.
North Dakota	Strong interest in extending federal funding.
Oklahoma	Anticipate declining federal assistance. Strong state program in the past but magnitude of future state program is uncertain.
South Dakota	Non-existent at the federal level. Decreasing at the state level.
Texas	No need for state assistance.
Utah	No state assistance. Federal funds expected to terminate.
Washington	Eventual termination of federal funding. Possible modest level of state funding. Continued high need for funding due to additional line abandonments.
Wisconsin	Need for funding will remain high. Federal funds will be reduced. State funds will be insufficient to meet needs.

APPENDIX A

SURVEY

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS
National Conference of State Railway Officials
(Standing Committee on Railways)

SURVEY OF STATE INVOLVEMENT
AND
UNIQUE APPROACHES
TO THE FUNDING OF
STATE RAIL PROGRAMS

1. Name of State: _____

2. Person Completing this Survey

Name: _____

Position: _____

Address: _____

Telephone: _____

3. Does the State or any State agency administer the Federal Local Rail Service Assistance Program and/or any other financial assistance for rail line projects?

YES

NO

If the answer is No, proceed to Number 11.

If the answer is Yes, proceed to Number 4.

4. Rail Line Assistance Projects

Provide data on the types of projects placed under contract during the 1978 to 1982 period by fiscal (July 1-June 30) year and also a breakdown of the funding used for each. (See next page.)

Participation by Funding Source

<u>Project Type</u>	<u>Federal</u>	<u>State</u>	<u>Local/Shipper</u>	<u>Railroad</u>
a. Line Rehabilitation				
1978				
1979				
1980				
1981				
1982				

<u>Project Type</u>	<u>Federal</u>	<u>State</u>	<u>Local/Shipper</u>	<u>Railroad</u>
b. Line Acquisition				
1978				
1979				
1980				
1981				
1982				
c. New Line Construction				
1978				
1979				
1980				
1981				
1982				
d. Operating Subsidies				
1978				
1979				
1980				
1981				
1982				
e. Substitute Service				
1978				
1979				
1980				
1981				
1982				
f. Total All Types				
1978				
1979				
1980				
1981				
1982				

- g. Describe below any substitute service projects funded by your state during the period 1978-1982.

5. a. Are projects which do not use Federal funds included in the State Rail Plan? YES _____ NO _____

- b. If they are not included in the State Rail Plan, what criteria are used to evaluate and/or prioritize these projects?

6. a. Indicate the total amount of State funds received or anticipated from each of the following sources by the State for rail line assistance projects during the five fiscal (July 1-June 30) year period 1978-1982 and the next three fiscal years.

<u>Funding Source</u>	<u>1978-1982 Total Funds Received</u>	<u>1983-1985 Funds Anticipated</u>
General Revenue Fund	\$ _____	\$ _____
General Obligation Bonds	\$ _____	\$ _____
Revenue Bonds	\$ _____	\$ _____
Excise Taxes	\$ _____	\$ _____
Charges on Users	\$ _____	\$ _____
Railroad Fuel Taxes	\$ _____	\$ _____
Other Sources (specify)		
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____

- b. Are there any additional sources of funding which have been considered or are being considered for use in the future? If yes, please describe below.

7. For each of the funding sources identified in question six above, please indicate if the funds are grant, loan with interest, no interest loan, etc.

8. For states that loan funds for rail line assistance projects:

- a. How many years are allowed for the recipient of the funds to pay back the State? ____ years.
- b. On what basis are loans repaid to the State? (carload, equal payment, etc.)

- c. What is the current interest rate charged to recipients on State loans for rail line assistance projects? ____%.

- d. How is the applicable interest rate determined by the State on loans?

- e. Are payments to the State on loans:

____ Returned to the General Revenue Fund

____ Placed in a special fund for rail projects

9. List below the recipients of any state, federal and/or local/shipper funds expended for rail line assistance projects during the period 1978-1982.

	Loans	AMOUNT	Grants
Class I RR	_____		_____
Class II RR	_____		_____
Class III RR	_____		_____
Shipper Owned RR	_____		_____
Local Government	_____		_____
Port District or Special RR Authority	_____		_____
Other (specify)	_____		_____
_____	_____		_____

10. Only those states which have loan guarantee programs should complete this section.

- a. The State Loan Guarantee Program applies to the following cases. Check (✓) all that apply.

____ The State guarantees payment of the principal and interest on loans taken by shippers or line operators.

____ The State guarantees payment of principal and interest on revenue bonds issued by local governmental agencies.

_____ The State guarantees payment of principal and interest on revenue bonds issued by local governments or special purpose districts.

_____ The State guarantees payment of principal and interest on rail line projects undertaken by the DOT or other State agency.

- b. What is the maximum amount of principal outstanding that the State can guarantee (or back) at any time?

\$ _____

- c. Is collateral required for the loan guarantee?

YES

NO

If the answer is Yes, indicate the type of collateral:

11. Has your State identified any approaches for accomplishing rail line assistance projects which reduce or eliminate the need for funds?

YES

NO

If Yes, please describe:

12. Are there approaches other than financial assistance to accomplish rail service preservation or improvements?

YES

NO

If Yes, please describe:

13. What does your state perceive as the future for Federal or State financial assistance?

APPENDIX B

STATE CONTACT PERSONS

Alabama

State Planning Engineer
Alabama Highway Department
State Highway Building
Montgomery, AL 36130
(205) 832-5354

Alaska

Director, Planning & Prog.
Dept. of Transportation & Pub. Fac.
Pouch Z
Juneau, AK 99811
(907) 465-3900

Arizona

Deputy Director, Transportation Plann. Div.
Department of Transportation
206 S. 17th Avenue
Phoenix, AZ 85007
(602) 261-7431

Arkansas

Rail Coordinator
State Highway & Transportation Dept.
P.O. Box 2261
Little Rock, AR 72203
(501) 569-2593

California

Chief, Office of Rail Services
Department of Transportation
1120 "N" Street
Sacramento, CA 95814
(916) 445-4484

Colorado

Director, Transportation Planning
Department of Highways
4201 E. Arkansas Avenue
Denver, CO 80222
(303) 757-9525

Connecticut

Trans. Asst. Plann. Director
Department of Transportation
24 Wolcott Hill Road
Wethersfield, CT 06109
(203) 566-4314

Delaware

Chief, Reg. Serv. and Rail
Department of Transportation
P.O. Box 778
Dover, DE 19901
(302) 736-4593

D.C.

Transportation Planner
Department of Transportation
415 12th Street, N.W.
Washington, D.C. 20004
(202) 727-5843

Florida

Assistant Director, Planning
Department of Transportation
605 Suwannee Street
Tallahassee, FL 32301
(904) 488-8037

Georgia

Chief, Bureau of Public Transportation
Department of Transportation
2 Capitol Square
Atlanta, GA 30334
(404) 656-6000

Hawaii

Traffic Engineer
Department of Transportation
869 Punchbowl Street
Honolulu, HI 96813
(808) 548-7530

Idaho

Rail Planner
Transportation Department
P.O. Box 7129
Boise, ID 83707
(208) 334-2580

Illinois

Chief, Bur. of Railroad
Department of Transportation
2300 S. Dirksen Parkway
Springfield, IL 62764
(217) 782-2835

Indiana

Director, Railroad Division
Department of Transportation
143 W. Market Street
Indianapolis, IN 46204
(317) 232-1470

Iowa

Director, Railroad Division
Department of Transportation
800 Lincoln Way
Ames, IA 50010
(515) 239-1646

Kansas

Chief of Rail Programs
Department of Transportation
State Office Building
Topeka, KS 66612
(913) 296-3526

Kentucky

Division of Mass Transportation
Transportation Cabinet
State Office Building
Frankfort, KY 40622
(502) 564-4480

Louisiana

Director of Water and Rail Programs
Department of Trans. and Devel.
P.O. Box 44245
Baton Rouge, LA 70804
(504) 925-7743

Maine

Director, Rail Transportation Division
Department of Transportation
Transportation Building
Augusta, ME 04333
(207) 289-2841

Maryland

Admin., State Railroad Administration
Department of Transportation
P.O. Box 8755
BWI Airport, MD 21240
(301) 859-7210

Massachusetts

Assistant Secretary
Office of Transportation and Construction
One Ashburton Place
Boston, MA 02114
(617) 727-5162

Michigan

Admin, Modal Transportation Planning
Department of Transportation
P.O. Box 30050
Lansing, MI 48909
(517) 373-9580

Minnesota

Director, Railroad and Waterway
Department of Transportation
419 Transportation Building
St. Paul, MN 55155
(612) 296-4888

Mississippi

Transportation Planning Engineer
State Highway Department
P.O. Box 1850
Jackson, MS 39205
(601) 354-7172

Missouri

Director-Railroads
Highway and Transportation Department
P.O. Box 270
Jefferson City, MO 65102
(314) 751-2423

Montana

Division of Transportation
Department of Commerce
1424 9th Avenue
Helena, MT 59620
(406) 449-3423

Nebraska

Engineer, Planning Division
Department of Roads
P.O. Box 94759
Lincoln, NE 68509
(402) 473-4519

Nevada

Assistant Director, Planning
Department of Transportation
1263 S. Stewart Street
Carson City, NV 89712
(702) 885-5440

New Hampshire

Railroad Admin., Rail Division
Department of Public Works & Highways
Hazen Drive
Concord, NH 03301
(603) 271-3465

New Jersey

Director, Office of Freight Service
Department of Transportation
1035 Parkway Avenue
Trenton, NJ 08625
(609) 292-1530

New Mexico

Manager for Rail Planning
Department of Transportation
PERA Bldg./Room 222
Santa Fe, NM 87503
(505) 827-4646

New York

Director Rail Planning & Market Bur.
Department of Transportation
5, State Office Campus
Albany, NY 12232
(518) 457-5532

North Carolina

Transportation Planning Division Head
Department of Transportation
P.O. Box 25201
Raleigh, NC 27611
(919) 733-2807

North Dakota

Planning Division
State Highway Department
600 East Boulevard
Bismarck, ND 58505
(701) 224-2513

Ohio

Deputy Director
Division of Rail
25 S. Front Street
Columbus, OH 43215
(614) 466-5816

Oklahoma

Planning Engineer
Department of Transportation
200 N.E. 21st Street
Oklahoma City, OK 73105
(405) 521-2175

Oregon

Rail Planner
Department of Transportation
Transportation Building
Salem, OR 97310
(503) 378-4012

Pennsylvania

Chief, Goods Movement Div.
Department of Transportation
Transportation and Safety Building
Harrisburg, PA 17120
(717) 783-8539

Rhode Island

Supervising Planner
Department of Transportation
State Office Building
Providence, RI 02903
(401) 277-2694

South Carolina

Chief, Rails and Tariffs
Public Service Commission
P.O. Box 11649
Columbia, SC 29211
(803) 758-2541

South Dakota

Secretary
Department of Transportation
Pierre, SD 57501
(605) 773-3265

Tennessee

Director, Public Transportation & Aeron.
Department of Transportation
J. K. Polk Building
Nashville, TN 37219
(615) 741-3227

Texas

Chairman
Railroad Commission
P.O. Drawer 12967
Austin, TX 78711
(512) 445-1110

U.S. DOT

Assoc. Adm. For Fed. Asst.
Federal Railroad Admin.
U.S. Department of Transportation
Washington, D.C. 20590
(202) 426-2257

Utah

Transportation Planning Engineer
Department of Transportation
4501 South 2700 West
Salt Lake City, UT 84119
(801) 965-4351

Vermont

Director of Operations
Agency of Transportation
State Admin. Building
Montpelier, VT 05602
(802) 828-2828

Virginia

Rail Transportation Division
Dept. of Highways and Transportation
1221 East Broad Street
Richmond, VA 23219
(804) 786-1051

Washington

Manager, Rail Branch
Department of Transportation
Transportation Building
Olympia, WA 98504
(206) 753-3389

West Virginia

Manager of Operations
WV Railroad Maint. Auth.
P.O. Box 487
Moorefield, WV 26836
(304) 538-2305

Wisconsin

Director, Bureau of RRs & Harbors
Department of Transportation
P.O. Box 7914
Madison, WI 53707
(608) 266-7094

Wyoming

Asst. Ch. Engr.-Plan. & Admin.
Highway Department
P.O. Box 1708
Cheyenne, WY 82002
(307) 777-7471

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

STATEMENT OF E. BRUCE HAGEN, CHAIRMAN, NORTH DAKOTA PUBLIC SERVICE COMMISSION, ON BEHALF OF THE NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

ACCOMPANIED BY:

JILL L. ROWE, ASSISTANT DIRECTOR OF CONGRESSIONAL RELATIONS
PAUL ROGERS, ADMINISTRATIVE DIRECTOR AND GENERAL COUNSEL

Senator D'AMATO. Our next witness is Mr. Bruce Hagen, chairman of the North Dakota Public Service Commission, Senator Andrews' home State, as you know. The chairman unfortunately has another hearing in which he must participate, but we know he welcomes you and we certainly welcome your contribution to these proceedings.

Mr. HAGEN. Thank you very much, Senator.

I am president of the North Dakota Public Service Commission, and I am testifying today on behalf of the National Association of Regulatory Utility Commissioners, commonly referred to as NARUC. Our North Dakota Commission is a member of NARUC.

With me today is Jill Rowe. She is NARUC's assistant director of congressional relations. She just passed her bar exam yesterday, so this is her first appearance.

Senator D'AMATO. Congratulations.

Mr. HAGEN. On my right, Paul Rogers, administrative director and general counsel of NARUC. If I get in trouble, they can bail me out.

We do greatly appreciate your invitation to address the Subcommittee on Appropriations for the DOT's natural gas pipeline, rail, hazardous and liquid pipeline and motor vehicle safety grants in aid programs for fiscal year 1985. Under these programs, Federal grants in aid are provided to participating States on a matching basis of up to 50 percent of the State's total program costs, 80 percent for the motor vehicle program.

As a result, these national safety programs can be carried out at only a fraction of the Federal funding level that would otherwise be required. Since many of our members are current or potential participants in these programs, we are vitally concerned with their future.

NARUC is requesting that \$6.2 million be appropriated for the natural gas pipeline program. Since its enactment in 1968, this program has proven to be a model of Federal-State cooperation. Forty-seven States participate in the natural gas program.

However, the appropriations have fallen short of the 50 percent matching fund. In 1983, the State requests for natural gas pipeline safety grants totaled \$5,742,140, and in 1984 the request is \$6,242,934. Unfortunately, appropriations have remained at \$3.5 million. With 1,580 gas pipeline failures resulting in 12 fatalities and 245 injuries in 1983, there is obviously a great need for full 50 percent funding.

The hazardous liquid pipeline safety program is in its fourth year and funds have never been appropriated. Presently 16 States have jurisdiction and 6 States are in the process of procuring jurisdiction. However,

without funding the States will be left with pipeline safety regulations and yet no realistic way to implement their enforcement.

We believe that, given the opportunity, the hazardous liquid program could be equally as effective as the natural gas program. NARUC is requesting \$1 million in startup funding.

Next I would like to express NARUC's concern that the FRA has abandoned its commitment to the rail safety program by again recommending that funding for this grants-in-aid program be eliminated. Currently 32 States are certificated under this program. However, 12 States have indicated that they would drop their rail safety program if Federal funding is eliminated.

The effects on rail safety will be felt nationwide if States are forced to leave the program. NARUC admits that the true measure of the program's effectiveness is its savings in human lives and property since the rail program was created.

We urge that the subcommittee appropriate \$3.1 million for 1985 so that the program's contributions to rail safety can continue.

Finally, NARUC requests that the subcommittee continue its efforts to promote motor vehicle safety by appropriating the full \$20 million as authorized by law for the motor vehicle safety grants-in-aid program. With new motor carrier size and weight standards mandated by the Surface Transportation Act permitting larger carriers to operate on our highways, safety is an ever-increasing concern for the States.

For fiscal year 1984, 40 States have had safety grants approved and Congress has appropriated \$8 million for this program out of an authorized \$10 million. According to the Bureau of Motor Carrier Safety, this \$8 million was calculated on the basis that new programs are low on their startup costs. In 1985, the States will require a higher level of funding, as many States have moved from planning grants to implementation grants.

In concluding, we respectfully urge that the subcommittee continue its support for transportation safety by appropriating the full authorized funding for these programs in 1985.

Thank you very much for the opportunity to appear. We do request that you would print our full statement in the record.

Senator D'AMATO. Your request is granted. Your statement will appear in the record as if read in full. And we certainly want to thank you and your colleagues for coming in, and we congratulate your colleague for passing the bar.

Ms. ROWE. Thank you, Senator.

Senator D'AMATO. I can tell you, obviously, that we have a great concern in seeing that the necessary work is continued, both in terms of rail safety and pipeline safety. They are very important, wise, and prudent investments.

Mr. HAGEN. Thank you very much.

[The statement of Mr. Hagen follows:]

STATEMENT OF E. BRUCE HAGEN

Summary of Testimony
on the
Appropriations for the U.S. Department of Transportation
Safety Grants-In-Aid Programs and
Retention of the ICC Office of Special Counsel

* The National Association of Regulatory Utility Commissioners (NARUC) strongly urges that funding be appropriated for the natural gas and hazardous liquid pipeline, rail and commercial motor vehicle safety grants-in-aid programs, which provide for the implementation of Federally-mandated standards to improve our Nation's transportation safety.

* Under these four programs, Federal grants-in-aid are provided to participating States on a matching funds basis of up to 50 percent of the States' total program costs (80 percent for the motor vehicle program) thereby creating a uniform national safety program which is carried out at a fraction of the Federal funding level that would otherwise be required.

* Since its enactment in 1968, the natural gas pipeline safety program has proven to be a model of Federal-State cooperation; however, funding continues to be insufficient to meet the program's needs. The NARUC requests that \$6.2 million be appropriated for this program.

* Although 16 States have proper jurisdiction and 6 States are in the process of procuring jurisdiction, the hazardous liquid pipeline safety program is in its fourth year without funding. The NARUC urges that \$1 million in start-up funding be appropriated for this program.

* The FRA has sought to undercut the rail safety program by requesting no funding for it in FY 1985 which will force many States to withdraw from the program and will increase the amount of money the Federal government will have to pay to assure the same level of safety enforcement activity. The NARUC requests that the State rail safety program be preserved through the appropriation of \$3.1 million.

* With new 1982 motor carrier size and weight standards permitting larger carriers to operate on our highways, safety is an ever-increasing concern of the States. We urge that \$20 million be appropriated to the commercial motor vehicle safety program.

I. Introduction

My name is Bruce Hagen, and I am President of the North Dakota Public Service Commission. I am testifying today on behalf of the National Association of Regulatory Utility Commissioners (commonly referred to as NARUC). With me today from the NARUC are Paul Rodgers, General Counsel; Linda Kent, Director of Congressional Relations; and Jill L. Rowe, Assistant Director of Congressional Relations.

The NARUC is a quasi-governmental, nonprofit organization founded in 1889. Within our membership are the governmental agencies of the fifty States and the District of Columbia, Puerto Rico and the Virgin Islands engaged in the regulation of utilities and carriers. Our chief objective is to serve the

consumer interest by seeking to improve the quality and effectiveness of public regulation in America.

We appreciate this opportunity to express our strong support for continued funding of the Department of Transportation's (DOT's) safety grants-in-aid programs in Fiscal Year (FY) 1985 and for the retention of the Interstate Commerce Commission's (ICC's) Office of Special Counsel. I would like first to address the natural gas and hazardous liquid pipeline, rail and commercial motor vehicle safety grants-in-aid programs. These programs provide for the voluntary State implementation of Federally-mandated standards to improve our Nation's transportation safety by providing Federal grants-in-aid to participating States on a matching basis of up to 50 percent (80 percent for the motor vehicle safety program) of the States' total program costs. As a result, these national safety programs can be carried out at only a fraction of the Federal funding level that would otherwise be required.

The NARUC is vitally concerned with the future of these safety programs since our members include those State regulatory agencies which are current or potential participants in them. Therefore, we strongly oppose any effort to eliminate or reduce funding for the Federal grants offered to participating States for the programs and we encourage that funding be appropriated for the initial implementation of the hazardous liquid program.

II. Natural Gas Pipeline Safety Grants-In-Aid Program

Since its enactment in 1968, the Natural Gas Pipeline Safety Grants-In-Aid Program, authorized by Section 5 of the Natural Gas Pipeline Safety Act,¹ has proved to be a model of Federal-State cooperation in its efficient implementation of gas pipeline safety standards, with 47 States², the District of Columbia and Puerto Rico participating in the program. However, funding in the past has fallen short of the full 50 percent in matching funds authorized by law. In 1983 the States' requests for grants totaled \$5,472,140 and in 1984 the request is \$6,242,934. Unfortunately, the appropriations have remained at \$3.5 million for both FY 1983 and 1984 and the budget request for FY 1985

¹49 U.S.C., Sec. 1674.

²See Appendix A for a list of participating States.

is once again \$3.5 million. For the safety program to continue to increase in effectiveness and efficiency, there must be full 50 percent matching funds.

Gas and hazardous liquid pipelines carry large quantities of extremely volatile substances, often under high pressure, and expose large segments of the population to risks of potentially catastrophic proportions. In 1983, despite Federal-State inspection efforts, there were 1,580 gas pipeline failures, resulting in 12 fatalities and 245 injuries. These figures illustrate the need to continue to fund the pipeline safety program at an adequate level.

The training program for State pipeline inspectors is another example of how desperately the States need increased funding for the natural gas program. The Transportation Safety Institute (TSI), administered by the DOT's Material Transportation Bureau (MTB) is the only place available to instruct Federal and State inspectors on how to enforce Federal regulations. TSI faces a very real threat of grossly insufficient funding in 1985. In 1983, appropriations for TSI were \$197,400 and for 1984 they have increased to \$235,000 to cover the increase in the number of TSI students. However, in 1985 the budget request is a grossly insufficient \$73,000.

The States strongly believe in the programs' benefits; however, it is unrealistic to expect that the program can continue to operate at \$3.5 million. We respectfully request that \$6.2 million be appropriated to support the continued success of the Natural Gas Pipeline Safety Grants-In-Aid Program.

III. Hazardous Liquid Pipeline Safety Grants-In-Aid Program

The hazardous liquid pipeline safety program, authorized by Section 205 of the Hazardous Liquid Pipeline Safety Act of 1979³ is a Federal-State partnership for enforcing intrastate liquid pipeline safety. However, the program is in its fourth year and funds have never been appropriated. Presently 16 States have proper jurisdiction for program eligibility through legislation⁴ and 6 States are seeking legislation to provide them with jurisdiction.⁵ If this safety program is to become a reality, it must be funded; however, once again no monies have been requested by the Administration for FY 1985.

³49 U.S.C., Sec. 2001.

⁴Texas, California, Wyoming, Pennsylvania, Kansas, New Mexico, Montana, Ohio, North Dakota, Arkansas, Arizona, New York, Iowa, Nevada, Hawaii, and West Virginia.

⁵Louisiana, Oklahoma, Mississippi, Alabama, Washington, and Wisconsin. Remaining States do not have intrastate liquid pipelines.

The NARUC is pleased to see that MTB recently issued a notice of proposed rulemaking that would extend the applicability of the existing Federal safety standards for transportation of hazardous liquid through pipelines to include intrastate pipelines.⁶ However, the notice explicitly states that MTB's adoption of such standards does not mean that funds will be sought.⁷ Without funding the States will be left with inter-and intrastate pipeline safety regulations and yet no realistic way to implement their enforcement.

We are once again requesting that \$1 million be appropriated in start-up funds for the hazardous liquid safety program as we believe that this program could become as beneficial as the natural gas safety program if given the same opportunity for success.

IV. Railroad Safety Grants-In-Aid Program

The NARUC is deeply concerned that the FRA has abandoned its commitment to the railroad safety grants-in-aid program, authorized by Section 206 of the Federal Railroad Safety Act of 1970,⁸ by again recommending that funding for the program be eliminated in the coming fiscal year.

Currently, agencies in 32 States are certified under the program.⁹ As a result, each year the Nation's rail system destroys fewer lives and causes less property damage. FRA figures for 1983 show train accidents declining to an all time low—fifteen percent below the total for 1982. Railroad accidents attributed directly to faulty tracks decreased 22.2 percent in 1982 and equipment-caused accidents have dropped by 21.8 percent for the same year. These types of accidents are preventable and have been the focus of the program.

No longer is the railroad industry plagued by the 11,000 accidents per million train miles that prompted the establishment of the Federal rail safety program in 1970, when Congress agreed that an active State role was essential to assure a safe railroad system. It seems incomprehensible that, at a time when the rail safety grants-in-aid program is achieving the results envisioned at its inception, the FRA is seeking its demise.

In the testimony that the FRA submitted to this Subcommittee on March 27,

⁶49 Fed. Reg. 11226-11229 (March 26, 1984).

⁷Id., pp. 11226-11227.

⁸45 U.S.C., Sec. 435.

⁹See Appendix B for a list of participating States.

1984 it enclosed a letter/report dated February 7 from the agency's Administrator John H. Riley to Senator Mark O. Hatfield, in which the FRA proposes that the States should begin to pay the full cost of the rail safety program and predicts no real detriment to the program as a result. The letter defines the issue as "essentially one of cost-effectiveness". As Mr. George Hardy, Chairman of the NARUC's Staff Subcommittee on Railroad Safety noted in a response to the FRA's letter,¹⁰ the cost-effectiveness argument makes no sense as "[t]he program is a federal responsibility which the states are helping to fund at 50 percent, not the other way around." In addition, Riley inaccurately states that 28 States would continue the safety program and at least 70 inspectors would be retained if Federal funding was terminated. However, according to a NARUC survey completed this month, 12¹¹ of the 24 NARUC member States which responded¹² to the survey stated that they would drop their rail safety program if Federal funding was terminated. Another 7 States¹³ indicated that their continued participation would be uncertain without funding. The loss of these 19 States would mean a possible loss of 62 of the 102 State inspectors.¹⁴ The NARUC submits that the advantages of a Federal-State partnership in enforcing railroad safety regulations go beyond the millions of dollars saved by the Federal government as a result of State participation. The true measure of the effectiveness of the program is the savings in human lives and property since the program was created. With 300,000 miles of railways and 1.7 million freight cars, this Nation cannot afford to curtail its rail safety program. In recognition of these facts, last year Congress appropriated \$2.4 million for the program. Just recently, the Senate Committee on Commerce, Science and Transportation authorized Federal funding for the rail safety

¹⁰See Appendix C.

¹¹Alabama, California, Michigan, Montana, North Carolina, New Mexico, Nevada, Oregon, South Carolina, Utah, Washington, and West Virginia.

¹²Mr. Hardy's response letter only references 23 States as South Carolina had not responded at the time the letter was written.

¹³Illinois, Kansas, Missouri, Nebraska, Ohio, Oklahoma, and Pennsylvania.

¹⁴Arizona, New Hampshire and Virginia stated that they would stay in the program regardless of funding; Tennessee would retain its inspectors but not work with the FRA; and Texas would reduce its inspector level, but not drop its program.

program in the amount of \$3.1 million for FY 1985 and \$3.3 million for FY 1986 [S. 2537 introduced on April 5 by Sen. John Danforth (R-Missouri)].

We respectfully request that the Subcommittee reiterate its support for this important program by appropriating \$3.1 million for FY 1985 in order to continue at least partial Federal funding of the program.

V. Commercial Motor Vehicle Safety Grants-In-Aid Program

As part of the Surface Transportation Assistance Act of 1982, signed into law by the President on January 6, 1983 (P.L. 97-424), Congress authorized the motor carrier safety program, which provides matching Federal funds of up to 80 percent of a participating States' program costs.

Administered by the Federal Highway Administration's (FHA's) Bureau of Motor Carrier Safety, the transportation safety program's effectiveness will be monitored by FHA division offices located in each qualifying State. For FY 1984, safety grants have been approved for 40 States, Guam and Samoa¹⁵ and Congress has appropriated \$8 million for this program in 1984 out of an authorized \$10 million. The amount authorized is to rise by \$10 million annually until it reaches \$50 million in 1988. According to the Bureau of Motor Carrier Safety, this \$8 million appropriated in 1984 was calculated on the basis that new programs are slow in their start-up costs. We would like to point out that now many States have moved from planning grants to implementation grants and will require at least the \$16 million in the budget request for 1985.

With new motor carrier size and weight standards, mandated by the Surface Transportation Act, permitting larger carriers to operate on our highways, safety is an ever-increasing concern of the States. We respectfully urge that the Subcommittee continue its efforts in promoting motor carrier safety by appropriating the full amount authorized, \$20 million, for the Commercial Motor Vehicle Safety Grants-In-Aid Program.

¹⁵Arizona, Idaho, Illinois, Iowa, Michigan, Minnesota, Missouri, Montana, Nevada, New Hampshire, North Carolina, Ohio, Oregon, Tennessee, Utah, and Washington were awarded grants to expand their current State motor carrier safety program.

Alabama, Arkansas, Colorado, Connecticut, Delaware, Hawaii, Kansas, Louisiana, Maine, Maryland, Massachusetts, Mississippi, Nebraska, New Jersey, New Mexico, North Dakota, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Virginia, West Virginia, and Wisconsin were awarded grants to develop more effective programs.

VI. Retention of The Office of Special Counsel of the Interstate Commerce Commission

As the DOT grants-in-aid programs illustrate, great contributions to transportation safety can be made through the efforts of Federal and State officials working together. Another example of this joint cooperation has been the Office of Special Counsel (OSC) of the Interstate Commerce Commission (ICC). The OSC provides the States with information and advice on ICC regulations and practices. This assistance has proven to be invaluable as, for example, in State bus exit or rail abandonment proceedings, where many serious and difficult questions which impact on transportation issues are posed that require a thorough understanding of substantive and procedural ICC regulations.

Unfortunately, a majority of the ICC voted to abolish the OSC for fiscal year 1985. Believing such action is detrimental to Federal-State cooperation, the NARUC adopted a resolution on March 1 at its Winter Executive Committee Meeting, held in Washington, D.C., strongly endorsing the retention of the OSC. We respectfully request that the Subcommittee support the retention of the OSC which serves as another example of the benefits of Federal and State agencies working together.

VII. Conclusion

The advantages of the Federal-State partnership for enforcing transportation safety regulation--the dollars saved in potential property damage and the immeasurable value in protecting lives--are adequate justification for full funding of the natural gas pipeline, rail, hazardous liquid pipeline and commercial motor vehicle safety programs. However, these programs share an additional beneficial feature in that the financial burden is shared by both the Federal and State governments. In this time of necessary budgetary restraint, such an arrangement is practical and efficient. The alternative is to eliminate all funding, which places at risk the continuation of these important safety programs. Without these programs, the Federal government is responsible for 100% of the cost of rail, motor carrier and pipeline safety; with the programs the States are helping to subsidize these Federal costs. The Federal spending of \$30.3 million will ensure the existence of a comprehensive safety plan worth twice that amount. We urge the Subcommittee to make available the funds to accomplish this eminently sensible goal, and to further enhance Federal-State relations by preserving the ICC's Office of Special Counsel.

Appendix A

1984 PIPELINE SAFETY GRANTS

STATE	REQUEST	ALLOCATION	% OF FUNDING*
AL	\$ 185,308	\$ 101,408	27%
AZ	179,054	102,252	28%
AR	79,976	64,730	40%
CA	253,223	105,385	20%
CO	72,171	59,272	41%
CT	60,000	50,706	42%
DE	10,145	9,786	48%
FL	47,194	41,571	44%
GA	99,896	76,091	38%
HI	12,500	12,053	48%
ID	20,535	19,312	47%
IL	173,570	101,188	29%
IN	62,725	53,009	42%
IA	72,575	59,604	41%
KS	100,150	75,933	37%
KY	201,358	102,994	25%
LA	352,864	121,628	17%
ME	11,275	10,872	48%
MD	32,273	29,581	45%
MA	74,388	61,093	41%
MI	101,273	75,091	37%
MN	71,687	58,875	41%
MS	113,528	82,417	36%
MO	115,907	82,763	35%
MT	19,000	18,094	47%
NE	53,792	46,742	43%
NV	32,692	29,965	45%
NH	31,391	28,773	45%
NJ	162,243	98,451	30%
NM	89,850	70,580	39%
NY	886,674	305,626	17%
NC	100,674	75,484	37%
ND	13,855	13,360	48%
OH	123,041	86,391	35%
OK	96,412	73,437	38%
OR	42,886	38,287	44%
PA	186,554	102,090	27%
RI	66,459	55,373	41%
TN	159,094	98,436	30%
TX	1,008,332	347,560	17%
UT	43,920	39,210	44%
VT	28,509	26,471	46%
VA	101,038	75,757	37%
WA	69,466	57,879	41%
WV	125,100	86,346	34%
WI	125,488	86,614	34%
WY	119,277	85,169	35%
DC	37,055	33,523	45%
PR	16,557	15,768	47%
TOTAL	\$6,242,934	\$3,553,000	28%

* THE 'REQUEST' REPRESENTS 50% OF THE AGENCY'S ESTIMATED BUDGET. THE '% OF FUNDING' IS THE PERCENTAGE OF THE BUDGET REPRESENTED BY THE ALLOCATION.

Appendix B

GRANTS-IN-AID: NUMBER OF STATES AND PARTICIPATING INSPECTORS AS OF FEBRUARY 1, 1984

State	Track Inspectors	Motor, Power and Equipment (MPE) Inspectors	Operating Practices Inspectors	Signals and Train Control Inspectors	Total
Alabama	2	2			4
Arizona	1(1*)	1	1		4
California	2	1			3
Connecticut	1				1
Florida	2	2			4
Illinois	4				4
Iowa	3				3
Kansas	1				1
Louisiana	1				1
Maryland	1(2*)	2(1*)	1		7
Michigan	4				4
Minnesota	1				1
Missouri	3				3
Montana	1				1
Nebraska	1	1			2
Nevada	1				1
New Hampshire	1				1
New Jersey	1(1*)				2
New Mexico		1			1
New York	3	3(3*)			9
North Carolina	2	1			3
Ohio	3	4			7
Oklahoma	2				2
Oregon	2	2			4
Pennsylvania	4	3			7
South Carolina	1	1			2
Tennessee	2	2	1		5
Texas	3	2	3		8
Utah	1	1			2
Virginia	2				2
Washington	2	2	1	1	6
West Virginia	2(1*)	3			6
TOTAL (32 States)	65	38	7	1	111

*denotes non-federally funded

Appendix C

COMMENTS ON FRA ADMINISTRATOR RILEY'S LETTER REPORT
TO SENATOR MARK O. HATFIELD, FEBRUARY 7, 1984

Introduction:

We are not sure Administrator Riley fully understands the question asked by the Senate Committee on Appropriations. In its July 14, 1983, report, page 61 (see attachment), the committee asked FRA to report on how to transfer the rail safety program to the states without jeopardizing state safety programs or requiring more federal inspectors. It appears Mr. Riley's report shows how he proposes to make the states pay the full cost or withdraw from the rail safety program.

1. State programs prior to 1970.

Administrator Riley notes that "thirteen of the participating states had established state inspection forces prior to the initiation of the program in 1970." He then goes on to state, "In these instances, the program simply subsidized an existing activity, and there is no reason to believe that these states would abandon their program should the Federal subsidies be discontinued."

This is probably false and is certainly very misleading. Prior to 1970, there were no federal track and equipment standards, so any programs underway in the states in those areas involved enforcement of state promulgated rules and regulations. When the federal government pre-empted the field, it assumed primary responsibility for this area of railroad safety. Since the states are no longer in control of this type of regulation, it is strange that the Administrator would now be talking about "abandoning their programs." The former state programs no longer exist. The states are now contributing 50 percent toward fulfillment of a federal responsibility. Administrator Riley seems to miss the whole point of the state participation concept.

Be that as it may, Riley's comment is extremely misleading. We would be surprised if there were thirteen states involved in track and equipment safety standard enforcement prior to 1970. None of the west coast states were involved (including all states west of the Rocky Mountains). Speaking for Oregon alone, we had an active rail safety program in 1970, consisting primarily of crossing and railroad employee safety activities, which continues today. None of these activities have been funded by the federal government. Our totally non-federal rail safety forces numbered six in 1970 and twelve FTE positions today. No federal money is subsidizing any of these people. Administrator Riley may not be aware of a key provision of the 1970 Act. Section 206(d) clearly requires the participating states to exceed their pre-1970 railroad safety expenditure level to qualify for federal funding assistance in enforcing federal safety standards. This section says in part:

No such payment may be made unless the State agency making application under this subsection gives assurances satisfactory to the Secretary that the State agency will provide the remaining cost of such a safety program and that the aggregate expenditures of funds of the State exclusive of Federal grants for the safety program will be maintained at a level that does not fall below the average level of such expenditures for the last two fiscal years preceding the date of enactment of this title.

In addition, FRA should be fully aware states have exceeded the 1970 expenditures since annual grant application form, page V3, requires certification from each state as to what its expenditures were before 1970 (see attachment).

Oregon's rail safety budget in 1970 was approximately \$75,000. Approximately three FTE positions were involved primarily in rail safety activities, with no involvement at all in track or equipment inspection. Today, we have eleven full-time employees exclusively involved in railroad safety, none of which are funded at all by FRA with an

additional 1.4 FTE supervisory positions not funded by FRA, not including secretarial or clerical staff. Our full-time rail safety force, funded 50 percent by FRA, numbers 4 positions, plus 0.6 FTE for supervision. These forces would be drastically cut or totally eliminated if the 50 percent FRA funding is withdrawn.

Clearly, federal funds have not subsidized Oregon's program to maintain existing activities; in fact, Oregon's program has grown both through state expenditures and federal funds independently. FRA's description to Congress that state participation program has siphoned off money to pre-existing state activities is a gross inaccuracy which we find intolerable.

2. Shifting costs back to the states.

FRA's reasoning is seriously flawed. Perhaps in relationship to the huge federal budget, the cost of the rail safety program to each individual state is small. However, this goes back to the basic rationale for the program. Federal funding for state inspection is cost-effective for the federal government. The program is a federal responsibility which the states are helping to fund at 50 percent, not the other way around.

3. Similar to 2. above.

FRA has staffed its safety effort without regard to the presence of state inspectors. This is perhaps why the program has not been as cost-effective for the federal government as it should be. Otherwise, FRA would not consider the need for additional staff. The real reason FRA is not concerned with state funding is that it has been protective of its own staff levels and its perceived prerogatives from the beginning.

Now, it appears FRA is planning for contingency, expecting a large number of states to withdraw, but at the same time, telling Congress it will not happen. If FRA's ceiling of 325 is sufficient for the national railroad safety effort, then something appears to be unnecessary:

- a. FRA ceiling is too high, or
- b. The state program is totally unnecessary.

Apparently, FRA figures show:

310 federal inspection personnel.

102 state inspectors.

15 additional federal inspectors by December 31, 1984.

Total 427.

Assuming FRA's ceiling was derived considering state participation, if the program is terminated and any states withdraw, FRA would be short an equivalent number of inspector positions. If one were to assume all states were to withdraw, FRA would need an additional 102 inspectors, funded 100 percent with federal funds. For example, the base salary for an FRA inspector (GS 12) is about \$31,000 per year, plus six step increments topping out at \$40,300 per year. If one were to assume 33 percent of salary cost for fringe (Oregon's fringe rate)

and another 33 percent to cover supervision, secretarial support, office rental, and travel expenses (probably very low), it would cost approximately \$54,835 per year at the base salary per inspector. If all states drop out and FRA was to fill the void with federal inspectors at the base salary, it would cost the federal government at least \$5,593,170 to replace the state inspectors. At the top of grade, the same inspectors would cost \$71,286 annually per inspector or over \$7 million for the 102 inspectors each year. Therefore, the state program at a cost of \$2.4 million in 1984, including state management, overhead, and travel, indeed is cost-effective.

Administrator Riley seems to be saying that now the state participation program has come "of age," it should be dropped. This has been viewed as typical strategy of federal agencies to get states involved, then leave them high and dry. At the outset, the states expressed concern that FRA might drop the program in the future. Some states specifically stayed out of the program to watch FRA's behavior. Now that the majority of the states are in, FRA wants to pull the rug out.

FRA's action is ironic. At this time, FHWA is embarking on an \$8,000,000 program and encouraging the states to participate in motor carrier safety on a 80 federal/20 state split. Also related is the gas pipeline safety program. States participating in that program report federal DOT Office of Pipeline Safety officials are much easier to deal with than those in FRA. This may be because there was no pre-existing federal inspection force to protect in gas pipeline or highway safety areas.

4. Surveys of the states.

FRA says it has conducted two surveys during the last year. We are aware of only one FRA-conducted survey. It was over the telephone, 5 to 10 minutes in length, during which local FRA officials asked leading questions.

At the present time, NCSRO (National Conference of State Railway Officials) and NARUC (National Association of Regulatory Commissioners) are conducting a thorough survey of all states participating in the FRA rail safety program. While survey results are not yet complete, the 23 NARUC member states results have been tabulated. Of the 23, eleven have reported that they were not surveyed by FRA at all with respect to probable impact of eliminating or reducing the 50 percent federal share.

It is apparent FRA's survey, to the extent it was performed, was a very shipshod effort. FRA simply does not care whether or not the states are involved. It has always been a reluctant partner in the state participation program. It appears to the states that FRA views state inspectors as intruders on its own turf.

In summary, FRA's report is very vague and thin. The report is void of meaningful details and statistics on which to base any rational decision and relies on assumptions, generalizations, and unconfirmable statements. In short, we question FRA's survey results and the report submitted to Congress.

ATTACHMENT I

[From page 61 of Senate Report No. 98-179]

GRANTS-IN-AID FOR RAILROAD SAFETY

The rail safety grants-in-aid were authorized by section 206 of the Federal Railroad Safety Act of 1970. The act provided for creation of what is essentially a Federal program to improve rail safety. To achieve this goal, the act relies upon a cooperative Federal-State partnership in which willing States implement federally-established rail safety standards.

The 1970 Rail Safety Act provides that in return for conducting comprehensive rail safety programs under the auspices of the Secretary of Transportation, States are to receive Federal funds of up to 50 percent of their programs' cost, subject to the Secretary's approval.

This provision of such financial assistance on a matching basis to State agencies reduces the need for a large Federal field staff and thereby permits Congress to implement its national rail safety program for less than it would otherwise cost the Department of Transportation to assume the entire financial burden.

The Committee recommends that \$2,400,000 be appropriated for these grants. This amount is the same as the fiscal year 1983 level. There was no budget request or House allowance.

The Department is instructed to provide to the Committee, by January 1, 1984, a plan for the transfer of this program to the States in such a way as not to jeopardize State safety programs, or require an increase of Federal inspectors.

ATTACHMENT II

CertificationsApplication for Certification/Agreement

- (1) ☐ The state agency certifies that it has the capabilities to conduct the investigative and surveillance activities prescribed by the Administrator for the () track, () freight car, and/or () other area of the safety program.
- (2) ☐ The state agency certifies that it will provide _____ man-years of effort to conduct investigative and surveillance activities prescribed by the Administrator with respect to 49 CFR 213.
- (3) ☐ The state agency certifies that it will provide _____ man-years of effort to conduct investigative and surveillance activities prescribed by the Administrator with respect to 49 CFR 215.
- (4) ☐ The state agency certifies that it will provide _____ man-years of effort to conduct investigative and surveillance activities prescribed by the Administrator with respect to 49 CFR _____.
- (5) ☐ The state agency certifies that it has been furnished a copy of the Federal Regulations for the () track, () freight car, () and/or other safety area.

Application for Federal Funding

- (6) ☐ The state agency certifies that it will provide the funds necessary to finance all costs in excess of Federal payments, and the aggregate expenditure of state funds (exclusive of Federal payments) for railroad safety programs will be maintained at a level which does not fall below the average level of expenditures set forth in paragraph (5) below or previously provided to the FRA.
- (7) ☐ The state agency certifies that the average level of expenditures by the state for railroad safety programs during the two fiscal years immediately preceding October 16, 1970, amounted to \$_____ per year.
- (8) ☐ The state agency certifies that its Financial Management System satisfies the requirements of Attachment G, OMB Circular A-102.
- (9) ☐ The state agency certifies that its procurement standards comply with Attachment O of OMB Circular A-102.

I hereby assure and certify to the above statements and to the assurances shown on page V-1.

STATE OR COMMONWEALTH OF _____

STATE AGENCY _____

BY _____

TITLE _____

DATE: _____

AIRPORT OPERATORS COUNCIL INTERNATIONAL

STATEMENT OF JACK CORBETT, VICE PRESIDENT, FEDERAL AFFAIRS

Senator D'AMATO. Our next witness is Mr. Jack Corbett of the Airport Operators Council.

Mr. CORBETT. Good morning, Senator.

Senator D'AMATO. Good morning, Mr. Corbett.

Mr. CORBETT. The Airport Operators Council International, which I represent, is the association of the local governmental bodies that operate the major airports in the United States served by the scheduled airlines. Within the State of New York, for example, Senator, we represent, alphabetically: Binghamton, Buffalo, the State of New York as the operator of Republic Airport, the Port of New York and New Jersey, Syracuse, and Westchester County.

In our testimony which we offer for the record, we indicate our support for the testimony you have already heard urging full appropriations for the FAA airways program, the air space program, that requests \$1.6 billion this year to modernize the air traffic control system. The purpose of our individual testimony is to indicate that we think there is also a need for balance in appropriations, so that there will be adequate funding for the ground side, the airports as well as for the air space program.

In our testimony we quote from the FAA Administrator, who in submitting his air space plan says:

Of all the things that will limit the growth of aviation, it will be concrete or asphalt, the lack of runway capability. It is certain the air side congestion is going to get worse, since concrete will continue to be the primary limitation. Approximately 41 airports will have severe air side congestion by 1990, and up to 91 airports by the year 2000.

For this balance, Senator, we would urge this subcommittee to also support full appropriations of \$987 million for fiscal year 1985 for the airport grant-in-aid program, which as you know is also fully user funded.

Finally, we would respectfully urge the committee to consider the resolution we have appended to our testimony, which hopes that the Congress would not place name airports in either its committee report accompanying the appropriation bill or in the appropriation bill itself, but in lieu thereof would make full funding available to the FAA.

Senator D'AMATO. Unfortunately, I think, with respect to the earmarking of some of the airports, that there is a strong feeling on the part of some in the Congress that unless we do that we just see some of these projects that should be undertaken bog down for years and years and years.

Now, that has to be balanced by, I understand, a very real concern that priority not be given unfairly as a result of a Senator or group of Senators or Congressmen who may be on this committee or other committees who are able to earmark a disproportionate amount of funds to the detriment of programs that should be undertaken. So that must be balanced.

Mr. CORBETT. I understand the sensitivity of the issue, Senator, and fortunately——

Senator D'AMATO. By the way, I am advised, Mr. Corbett, that the GAO has made a study in which it examined that question. We will make a copy of that report available to you. Have you seen it?

Mr. CORBETT. Yes; I have a copy of that.

Senator D'AMATO. And, you know, that report indicates that the earmarking has not been a detriment to the program. But I share your concern. It is a concern I know that the chairman shares. You should not have a situation where the——

Mr. CORBETT. The concern is not just with the place naming, Senator. As you know, what normally happens when specific airports are place named, the committee also makes a lower level of funds appropriated, so that specific airports may get consideration at a lower level of funding. We would urge——

Senator D'AMATO. Well, I do not think that is the case. I have to tell you that what I think takes place is—I do not think that is the case. We are concerned that we get out that money, make it available, it is there to allocate it for those purposes. We want to see to it that our Nation's airports are safe and that the moneys that are intended for that purpose are used there and used expeditiously.

Mr. CORBETT. And we share that objective. Thank you, Senator.

Senator D'AMATO. Thank you.

[The statement by the Airport Operators Council International follows:]

STATEMENT OF J. DONALD REILLY, DIRECTOR/SECRETARY GENERAL, AIRPORT OPERATORS
COUNCIL INTERNATIONAL

Mr. Chairman and members of the Subcommittee, I am J. Donald Reilly, Executive Director/Secretary General of the Airport Operators Council International (AOCI). AOCI is the association of the governmental bodies that own and operate the principal airports served by the scheduled airlines in the United States, as well as in many countries abroad. Our U.S. member airports annually enplane more than 90 percent of the domestic and virtually all of the U.S. international scheduled airline passenger and cargo traffic. In addition, our local government members operate many reliever and other general aviation facilities which supplement the larger airports in their communities and regions. (A listing of our U.S. members is provided as Attachment A.)

On behalf of our U.S. members, we are grateful for this opportunity to appear before the Subcommittee to urge its approval of full funding for the Fiscal Year 1985 airport development, planning, and noise compatibility programs as authorized by the Airport and Airway Improvement Act of 1982 (Title V, P.L. 97-248, September 3, 1982, as amended).

Full funding, Mr. Chairman, involves two key issues: (1) Congressional support of the Administration's Budget proposal to fund FY'85 airport development and safety grants at the authorized level of \$987 million; and (2) Authority for FAA to obligate previous year AIP carryover funds. We will address both those issues shortly.

Our comments here, with their emphasis on the importance of the airport grant program fashioned by Congress, are totally consistent with the views expressed by us jointly with the other aviation associations in the prepared statement presented to you earlier today.

- FAA's New Airport System Plan Documents \$1.7 Billion Annual Need

The Table in our text is the result of FAA's current work on the new national airport system planning document recently mandated by Congress, a successor to similar plans of the past. As you see, there are now, according to FAA, about 3600 publicly-owned or publicly-used airports in the national system of airports. This is roughly the same count as in 1980.

FEDERAL AVIATION ADMINISTRATION'S
NATIONAL PLAN OF INTEGRATED AIRPORT SYSTEMS
PRELIMINARY DATA

TABLE

SERVICE LEVEL	LOCATIONS		TOTAL ^{1/}	COSTS (BILLIONS) ^{2/}	
	EXISTING	NEW		0-5 yrs.	0-10 yrs.
COMMERCIAL SERVICE					
PRIMARY	280	3	300	\$ 5.8	\$10.9
NON-PRIMARY	280	9	330	.8	1.1
RELIEVER	219	68	286	1.2	1.6
GENERAL AVIATION	2424	169	2723	3.3	4.3
	3203	449	3639	11.1	\$17.9

1/ Existing plus new does not equal total because some new airports replace existing ones. Also service levels change.

2/ Totals may not add due to rounding.

Source: FAA
2/17/84

There has been, however, a sizable jump in airport system development costs according to FAA's own preliminary data. Of the total \$17.9 billion FAA-calculated need for the next ten years, some 62% of that total should be programmed for the next five years. Not surprisingly, the new \$11.1 billion five-year development total is a 2% billion dollars above FAA's similar five-year calculation in 1980.

If Congress were to fund the development FAA has included in its plan, the Federal Airport Improvement Program (AIP) would need to average \$1.7 billion annually, up \$350 million annually since 1980, plus the local funding share. This is not feasible given the other fiscal burdens of the Federal Government and on the aviation users. But the demand for development is clear.

- National Airspace System Plan May Be Limited by Airport Capacity

The new FAA airport system plan simply reinforces the FAA's earlier acknowledgement that the success of its National Airspace System Plan may be dependent upon ground capacity. We agreed with the FAA Administrator when, in presenting his plan, he said:

Of all the things that will limit the growth of aviation, it will be concrete or asphalt -- the lack of runway capability. ... It's certain airside congestion is going to get worse, since concrete will continue to be the primary limitation. ... 41 airports will have severe airside congestion by 1990 and up to 91 airports by the year 2000.

However, airports are not yet ready to agree with the airspace plan's pessimistic conclusion that quotas and flow control restrictions appear inevitable at most major hub airports because adequate airport capacity increases can't be achieved.

We are more optimistic than this. We think that capacity can be adequately increased. Our fear is that future Administrations may simply not want to provide large chunks of user tax money to increase airport operational capacity when the restrictive and essentially negative option of "quotas" could free up more Aviation Trust Fund monies for FAA salaries or for a "borrow-able" Trust Fund surplus.

- Administration-Proposed Airport Aid Levels Must be Support as Minimum

Given this abundance of FAA's own airport and airspace planning data suggesting the need for airport capital development, AOCI members are pleased, as the joint aviation association statement indicates, that the Administration has proposed that you approve the \$987 million FY'85 AIP funding authorized by the Congress.

Even though aviation users have already contributed excise tax revenues into the Aviation Trust Fund in amounts more than adequate to fund all airport and airway programs authorized by the 1982 enactment, the draft statutory provision proposed in the Budget documents for establishing a ceiling on FY'85 obligations for airport aid would prohibit FAA from obligating in 1985 some \$243.5 million in carryover AIP contract authority from the past years. We have drafted a preferable version of that limitation language (Attachment B) for your consideration.

- AOCI Membership Resolution Opposes Congressional "Placenameing"

Finally, Mr. Chairman, we have attached (Attachment C) a copy of our association's resolution of its United States Members last fall urging the Congress not to "placename" specific airports for special consideration by the Secretary of Transportation in the distribution of limited AIP discretionary funds. We believe that Congressional approval of the full authorized AIP level (rather than a lower level of funding joined to "placenameing" recommendations) is by far the preferable solution.

For FY'85, then, Mr. Chairman, we urge your Committee to approve full funding for airport and airway programs, for the reasons suggested above and in the joint aviation association testimony.

Thank you.

Attachment A**AIRPORT OPERATORS COUNCIL INTERNATIONAL ROSTER OF MEMBERS**

The Airport Operators Council International (AOCI) is the association of the primarily local governments that own and operate the principal airports served by the scheduled airlines in the United States and around the world. AOCI member airports annually enplane more than 90% of the total domestic and virtually all of the U.S. international scheduled airline passenger and cargo traffic. Worldwide, AOCI international member airports enplane two-thirds of all airline passengers on six continents. AOCI represents only its United States membership in testimony before Congress and in appearances before Executive Branch agencies.

UNITED STATES MEMBERS

- ALABAMA:** Birmingham - Department of Aviation
- ALASKA:** *Alaska - Department of Transportation & Public Facilities
*Juneau - City and Borough of
- AMERICAN
SAMOA:** *Pago Pago - Government of
- ARIZONA:** *Phoenix - Aviation Department
*Tucson - Airport Authority
- CALIFORNIA:** Bakersfield - Kern County Department of Airports
Burbank - Burbank/Glendale/Pasadena Airport Authority
Fresno - City of
*Los Angeles - Department of Airports
Oakland - Board of Port Commissioners
Palm Springs - City of
Riverside - City of
Sacramento - County of
*San Diego - Unified Port District
*San Francisco - City and County of
San Jose - City of
Santa Ana - Orange County Airport
Santa Barbara - Municipal Airport
Stockton - San Joaquin County
- COLORADO:** Colorado Springs - City of
Durango-La Plata - County Airport
*Denver - City and County of
Pueblo - Memorial Airport
- CONNECTICUT:** *Windsor Locks - Connecticut Department of Transportation
- DISTRICT OF
COLUMBIA:** *Washington - Metropolitan Washington Airports
- FLORIDA:** Daytona Beach - Regional Airport
*Fort Lauderdale - Board of Broward County Commissioners
Fort Myers - Lee County Airport
Gainesville - Regional Airport
*Jacksonville - Port Authority
Melbourne - Airport Authority
*Miami - Dade County Aviation Department
Naples - Municipal Airport
*Orlando - Greater Orlando Aviation Authority
*Palm Beach - Board of County Commissioners
Pensacola - City of
*St. Petersburg-Clearwater - International Airport
Sarasota-Manatee - Airport Authority
*Tampa - Hillsborough County Aviation Authority
- GEORGIA:** Albany - Albany-Dougherty County Airport
*Atlanta - Department of Aviation
Savannah - Airport Commission
- GUAM:** *Guam - Government of
- HAWAII:** *Honolulu - Department of Transportation

ILLINOIS:

*Chicago - Department of Aviation
 Moline - Rock Island County Metropolitan Airport Authority
 Peoria - Greater Peoria Airport Authority
 Rockford - Greater Rockford Airport Authority
 Springfield - Airport Authority

INDIANA:

Fort Wayne - Board of Aviation Commissioners
 *Indianapolis - Airport Authority
 South Bend - St. Joseph County Airport Authority

IOWA:

Cedar Rapids
 Des Moines - Department of Aviation
 Mason City - Municipal Airport Commission

KANSAS:

Topeka - Metropolitan Airport Authority
 Wichita - Airport Authority

KENTUCKY:

Lexington - Lexington-Fayette Urban County Airport Board
 Louisville - Regional Airport Authority of Louisville
 and Jefferson County
 Paducah - Airport Corporation

LOUISIANA:

Baton Rouge - Greater Baton Rouge Airport District
 Lafayette - Airport Commission
 *New Orleans - Aviation Board
 Shreveport - Airport Authority

MAINE:

*Bangor - City of

MARIANA
ISLANDS:

*Saipan - Bureau of Transportation
 *Saipan - Mariana Islands Airport Authority

MARYLAND:

*Maryland - State Aviation Administration

MASSACHU-
SETTS:

*Boston - Massachusetts Port Authority
 Hyannis - Barnstable Municipal Airport

MICHIGAN:

*Detroit - Board of Wayne County Road Commissioners
 *Flint - City of
 Freeland - Tri-City Airport Commission
 *Grand Rapids - Kent County Aeronautics Board
 Jackson - County Airport-Reynolds Field
 Kalamazoo - Municipal Airport
 *Lansing - Capital Region Airport Authority
 *Muskegon - County Airport

MINNESOTA:

*Minneapolis-St. Paul - Metropolitan Airports Commission

MISSISSIPPI:

*Gulfport - Gulfport-Biloxi Regional Airport Authority
 Jackson - Municipal Airport Authority
 Laurel/Hattiesburg - Pine Belt Regional Airport Authority

MISSOURI:

Columbia - City of
 *Kansas City - Aviation Department
 *St. Louis - Airport Authority
 St. Louis County - Spirit of St. Louis Airport
 Springfield - Municipal Airport Board

MONTANA:

*Great Falls - International Airport
 Missoula - County Airport

NEBRASKA:

Lincoln - Airport Authority
 Norfolk - Karl Stephaan Memorial Airport
 North Platte - Airport Authority
 Omaha - Airport Authority

NEVADA:

*Las Vegas - Clark County Department of Aviation
 *Reno - Airport Authority of Washoe County

NEW HAMPSHIRE:

Manchester - Airport Authority

NEW JERSEY:

Trenton - Mercer County Airport
 Atlantic City - Airport Utility

NEW MEXICO:

- *Albuquerque - City of

NEW YORK:

- Binghamton - Broome County Airport
- *Buffalo - Niagara Frontier Transportation Authority
- *New York - Metropolitan Airports Authority
- *New York - Port Authority of New York and New Jersey
- *Syracuse - Department of Aviation
- White Plains - Westchester County Airport

NORTH CAROLINA:

- Asheville - Regional Airport Authority
- Charlotte - City of
- Greensboro-High Point - Airport Authority
- Raleigh - Raleigh-Durham Airport Authority
- Winston-Salem - Airport Commission of Forsyth County

OHIO:

- Akron-Canton - Regional Airport
- *Cincinnati - Kenton County Airport Board
- *Cleveland - City of
- *Columbus - Port Columbus International Airport
- *Dayton - Department of Aviation
- Toledo-Lucas County - Port Authority
- Youngstown - City of

OKLAHOMA:

- Oklahoma City - Airport Trust
- Tulsa - Airport Authority

OREGON:

- *Portland - Port of

PENNSYLVANIA:

- Lehigh-Northampton - Airport Authority
- *Middletown - Pennsylvania/DOT Bureau of Aviation
- *Philadelphia - Department of Commerce
- *Pittsburgh - Greater Pittsburgh International Airport

PUERTO RICO:

- *San Juan - Puerto Rico Ports Authority

RHODE ISLAND:

- State of Rhode Island - Division of Airports

SOUTH CAROLINA:

- *Charleston - County Aviation Authority
- Columbia - Metropolitan Airport
- Greenville-Spartanburg - Airport Commission

TENNESSEE:

- Chattanooga - Municipal Airport
- Knoxville - Metropolitan Airport Authority
- *Memphis-Shelby County - Airport Authority
- Nashville - Metropolitan Airport Authority

TEXAS:

- Austin - City of
- *Brownsville - City of
- *Dallas - Department of Aviation
- *Dallas/Fort Worth - Regional Airport Board
- *El Paso - City of
- *Harlingen - Valley International Airport
- *Houston - City of
- *San Antonio - Department of Aviation

UTAH:

- *Salt Lake City - Airport Authority

VERMONT:

- *Burlington - Airport Commission

VIRGINIA:

- *Newport News - Peninsula Airport Commission
- *Norfolk - Port and Industrial Authority
- Richmond - Capital Region Airport Commission

VIRGIN ISLANDS:

- *St. Thomas - Virgin Islands Port Authority

WASHINGTON:

- *Seattle - Port of
- *Seattle - King County Airport (Boeing Field)
- *Spokane - Airport Board

WISCONSIN:

- Janesville - Rock County Airport
- La Crosse - Municipal Airport
- Madison - Dane County Regional Airport
- *Milwaukee County - Department of Public Works
- Oshkosh - Wittman Field Airport
- Rhineland/Oneida - County Airport

WYOMING:

Casper - Natrona County International Airport
 Cheyenne - Airport Authority
 Rock Springs - Sweetwater County Airport Authority

* U.S. International Airport

Attachment B

AOCI Alternative Provision to Administration's
 Proposed Limitation on FY'85 Airport Grants-In-Aid
 For Inclusion in FY'85 DOT Appropriations Bill

TITLE III - GENERAL PROVISIONS

* * *

SEC. __. None of the funds provided in this Act shall be available for the planning or execution of programs the commitments for which are in excess of ~~\$987,000,000~~ \$1,230,500,000 in fiscal year 1985 for grants-in-aid for airport planning and development and noise planning and programs, ~~notwithstanding section 506(e)(4) of the Airport and Airway Improvement Act of 1982:~~

* * *

Attachment CRESOLUTION NO. 3OPPOSITION TO CONGRESSIONAL "PLACENAMING" OF SOME
AIRPORTS FOR SPECIAL CONSIDERATION BY DOT SECRETARY
IN DISTRIBUTING LIMITED AIP DISCRETIONARY FUNDS

(U.S. Members Only)

WHEREAS the Congress of the United States in the Airport and Airway Improvement Act has established formulae for the annual apportionment and distribution of available funding under the Airport Improvement Program (AIP); and

WHEREAS that statute (at 49 U.S.C. 2206) indicates that any AIP funds not statutorily apportioned "shall constitute a discretionary fund to be distributed at the discretion of the Secretary"; but

NOTING that in recent years the Appropriations Committees of the Congress have included in their written reports accompanying DOT Appropriations Bills increasingly long lists of airports whose projects are to be given special consideration by the DOT Secretary in distributing limited AIP discretionary funds; and

CONCERNED that a continuation of this "placenameing" practice either in Appropriations Committee Reports or as statutory provisions of Appropriations Acts could seriously limit the DOT Secretary's discretion to make grants of AIP discretionary funds to locations and for projects of the highest national priority

NOW THEREFORE BE IT RESOLVED by the United States Members of the Airport Operators Council International in meeting assembled that the AOCI POLICY HANDBOOK at section 4.44, AIP Appropriations and Payments, be amended by the addition of an additional paragraph at the end thereof as follows:

AOCI urges the Congress to discontinue the practice of listing specific airports for special consideration (or eliminating certain projects from AIP eligibility) by the Department of Transportation in its distribution of limited AIP discretionary funds. This practice, either through written Committee Reports accompanying DOT Appropriations Acts or as statutory requirements within the Appropriations Acts dealing with AIP projects, seriously limits the broad statutory discretion intentionally granted to the Executive Branch in the Airport and Airway Improvement Act for making such grants.

Adopted at the General
Membership Business Meeting
of the Airport Operators
Council International on
October 20, 1983

METROPOLITAN TRANSIT AUTHORITY, HOUSTON, TEX.

STATEMENTS OF:

HON. JON LINDSAY, COUNTY JUDGE, HARRIS COUNTY, TEX.

JOHN KING, CHAIRMAN OF THE BOARD, METROPOLITAN TRANSIT AUTHORITY, HOUSTON, TEX.

ACCOMPANIED BY ALAN T. KIEPPER, GENERAL MANAGER, METROPOLITAN TRANSIT AUTHORITY

Senator D'AMATO. Our next organization is the Metropolitan Transit Authority of Houston. I think it is Mr. Michael Stanfield. It is Mr. King, is that right? Mr. Stanfield could not be here.

Mr. KING. I am Mr. King. This is County Judge Lindsay and Alan Kiepper, the general manager of Metro.

Senator D'AMATO. Thank you. Would you please be seated. We will insert your testimony into the record as if read in its entirety.

Mr. LINDSAY. Thank you very much.

I am Jon Lindsay, county judge of Harris County.

Senator D'AMATO. It is good to see you again.

Mr. LINDSAY. Excuse me. I was just going to comment on that. I think it was a luncheon at the Petroleum Club, was it not?

Senator D'AMATO. That is right.

Mr. LINDSAY. With the past chairman of our board, Dan Arnold, as host. It was a delightful luncheon. I appreciate it.

Senator D'AMATO. It is good to see that you are still judging.

Mr. LINDSAY. Administrator, sir. I hate to be a judge anywhere.

Senator D'AMATO. I was going to say that that title is not well known. It would be the equivalent of our county executives in many Northeast counties, or our supervisors, et cetera. You are indeed an elected official of this little tiny area encompassing the city as well as the environs, which probably is bigger than maybe 32 or 33 States. Is that right, about 3 million people?

Mr. LINDSAY. 18 States.

Senator D'AMATO. Let the record reflect that the population of our county administrator's jurisdiction is larger than the population of 18 of our States.

We are happy to see you here.

Mr. LINDSAY. Senator, you have taken away half of my talk. I thank you very much. I always have to explain what the county judge of a Texas county is. You have done a very good job of that, better than I, and I thank you. Your knowledge far exceeds my ability to explain.

But we are here, of course, to talk about our continuing No. 1 problem in Harris County, and you know what that is. You have been in it and you know it is transportation. I think any poll that has been taken in recent years indicates that it continues to be the No. 1 problem.

The polls also indicate that the people in Harris County are more than willing to support anything that is reasonable in solving that problem. They did turn down, as you know, the MTA election that was

held last June. But on the other hand, we can brag that that same community supported a \$900 million bond issue for the development of toll roads in Harris County overwhelmingly, at 70 percent, just 3 months later.

So we know the support is there. The support, of course, is there for added taxes that possibly are not charged in other areas, be it good or bad, that the people are willing to and anxious to support in order to get transit measures in our county.

In fact, just yesterday, we on the Commissioners Court raised the automobile tax registration by \$5, which gives Harris County an additional \$11 million for transit measures, without any complaints at all. So now we will be spending just at the county level on highways \$150 million a year.

That is not the point, of course, that we are here to talk about. We just want to brag a little bit that we are willing, our citizens are willing and anxious to pay for what needs to be done in a reasonable way.

Today we are here to talk about a major issue that we would hope that your committee would support us in, and that is the development of transitways on two of our major freeways, a total of 23 miles. Transitways are already tried and proven in Harris County with our contraflow lanes, so we know it works.

It is obvious that it works, because people are supporting that right now. And it is a cost-effective way of doing what needs to be done. We can do this really at a fraction of the cost. My calculations—and I will grant you that they are very unscientific—but my calculations indicate that the riders per mile of Federal moneys would be less than 5 cents per mile per trip, if indeed the moneys were given that we are asking for in these two projects.

But in summary, I think we know that they are cost effective. It is not something that we need to reinvent, like other systems might be. The demand is there.

And we just thank you for your attention here today. And I think I have taken all of John King's time, who wants to explain the details.

John King is now our chairman of our MTA Board.

Senator D'AMATO. Jon, you are talking about those fixed lines for transportation of buses, right?

STATEMENT OF JOHN KING

Mr. KING. What we are talking about is, on the Southwest Freeway, if you may remember that, which is—

Senator D'AMATO. I remember it well. I remember flying over there and seeing all the car pooling and vans, the incredible numbers of people that come in and out of the downtown area and are dependent upon you giving them the best, quickest, and most efficient modes of transportation possible, lest they strangle in the congestion.

Mr. KING. I think that I can give you the bottom line pretty quickly, Senator. The first question is, what does Houston want? They are looking in fiscal year 1985 for \$45 million out of the new starts category.

For fiscal year 1986 we are looking for \$55 million, which is \$100 million for the Federal funds total, and we are talking about building 23 miles of exclusive bus lanes for a total of \$210 million.

Those would be on an accelerated basis. We would get them done in two years, and the total cost of that project is \$210 million. I think the Senator can relate to cost per mile. We are talking about \$9 million per mile to construct these 23 miles.

I think the Senator can relate that to the new starts rail category pretty quick. Houston's heavy rail last year was \$88 million a mile. We are coming back with \$9 million a mile.

Senator D'AMATO. Do you have a lot of non-Federal funding sources set aside, your local match, et cetera?

Mr. KING. I am glad you asked about the local match. That was my next comment. We want to match the Federal Government dollar for dollar. We will put up 50 cents of the dollars and we are asking the Federal Government to put up 50 cents.

That is exclusive of the fact that the state highway department has at no cost turned over the median strips on these two freeways. So really, the local match in the final analysis is more than 50 percent of the project.

Senator D'AMATO. Well, let me just say this. This is one Senator who is very concerned, No. 1, with the necessity to move people quickly, expeditiously, and as cost effectively as possible. It does not make sense to have people just sitting there idling their cars for 19, 20 miles, or creeping along. That is just not smart.

No. 2, it seems to me that you certainly have done your part. You have always attempted, even in the defeat of the initial proposal, to come back again, and look to set aside dedicated sources of funding. The State makes a major effort at that as well.

So I am very much impressed with that effort. I cannot speak for my colleagues or for UMTA, but I certainly have every reason to believe that not only will Houston's needs receive careful consideration, but indeed that there is a very good possibility that most, if not all, of your request will be met.

We are impressed with your dedication, and certainly the need to go forward is there.

Mr. KING. We have, by the way, 42 additional miles that are presently under construction of exclusive busways. If we add the 23, we will have 65 miles, which is more than any other city.

We think that the request is a very modest amount out of the new starts category of about 10 percent.

Senator D'AMATO. Thank you very much.

Mr. KING. Thank you.

Mr. LINDSAY. Thank you, Senator.

Senator D'AMATO. Good to see you again.

Mr. LINDSAY. Come back.

Senator D'AMATO. I look forward to it. I really do.

[The statement of Mr. King follows:]

STATEMENT OF JOHN J. KING

GOOD AFTERNOON, MR. CHAIRMAN AND COMMITTEE MEMBERS. ON BEHALF OF THE METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS, (METRO), I APPRECIATE THIS OPPORTUNITY TO DISCUSS HOUSTON'S TRANSIT PLANS AND FY 85 FUNDING NEEDS.

THIS IS MY FIRST SUBCOMMITTEE APPEARANCE SINCE BECOMING METRO BOARD CHAIRMAN IN FEBRUARY OF THIS YEAR. I LOOK FORWARD TO WORKING WITH YOU TO SOLVE THE TRANSPORTATION PROBLEMS FACING OUR NATION'S FOURTH LARGEST CITY. TODAY MY TESTIMONY WILL GIVE YOU AN IDEA OF WHERE OUR EFFORTS ARE HEADED.

LONG TERM TRANSIT PROGRAM

AS YOU KNOW, THE HOUSTON AREA HAS GROWN DRAMATICALLY FOR TWO DECADES. HOUSTON'S POSITION AS WORLD ENERGY CAPITAL AND A VITAL FINANCIAL CENTER HAS ATTRACTED THOUSANDS OF NEW RESIDENTS. HOUSTON'S CURRENT GROWTH PUTS 300 NEW VEHICLES ON OUR STREETS DAILY.

RESPONDING TO THIS GROWTH, HARRIS COUNTY CITIZENS VOTED IN

1978 TO CREATE THE METROPOLITAN TRANSIT AUTHORITY AND DEVELOP A REGIONAL MASS TRANSPORTATION SYSTEM. THE VOTERS APPROVED A SALES TAX EXCLUSIVELY DEDICATED TO REGIONAL MASS TRANSIT IMPROVEMENT. THIS TAX GENERATED \$156 MILLION IN 1983 AND IS BUDGETED TO PRODUCE \$164 MILLION IN FY 1984.

LAST YEAR, METRO ASKED CONGRESS AND THE DEPARTMENT OF TRANSPORTATION FOR FUNDS TO BEGIN CONSTRUCTION OF 18.5 MILES OF RAPID RAIL. LOCAL AND STATE SOURCES WERE TO FUND OVER FIFTY PERCENT OF THE PROJECT. METRO'S PROPOSAL RECEIVED CONSIDERABLE CONGRESSIONAL AND DEPARTMENTAL SUPPORT. HOWEVER, LOCAL VOTERS, IN JUNE 1983, REJECTED REVENUE BOND FINANCING FOR THE PROJECT'S LOCAL SHARE.

ALTHOUGH THIS DEFEAT REPRESENTED A SETBACK TO OUR EFFORTS, IT HAS NOT REDUCED THE NEED TO DEVELOP A SOLUTION TO HOUSTON'S WORSENING TRANSPORTATION PROBLEMS. RATHER, IT HAS RENEWED OUR DETERMINATION TO RETURN WITH A PLAN THAT WILL MEET THE REQUIREMENTS OF OUR COMMUNITY. SINCE THE REFERENDUM, WE HAVE UNDERTAKEN A COMPREHENSIVE RE-EXAMINATION OF OUR ORIGINAL PLANS AND ASSUMPTIONS. WE

HAVE IMPLEMENTED A BROAD PUBLIC PARTICIPATION PROGRAM FOR THE CITIZENS OF HOUSTON IN ORDER THAT WE CAN LISTEN TO THEIR VIEWS AND CONCERNS.

LET THERE BE NO MISTAKE, WE INTEND TO MOVE FORWARD AGGRESSIVELY WITH MASS TRANSIT IN HOUSTON. THIS IS EXACTLY WHAT THE VOTERS ASKED US TO DO IN 1978 WHEN THEY CREATED METRO AND APPROVED A ONE CENT ADDITION TO THE SALES TAX TO HELP FUND OUR EFFORTS. AS METRO CHAIRMAN, I AM COMMITTED TO SEEING THAT WE ACCOMPLISH THIS TASK WITH THE FULL INVOLVEMENT AND SUPPORT OF THE COMMUNITY.

TO ACCOMPLISH THIS, METRO LAUNCHED AN EXTENSIVE COMMUNITY MEETINGS PROGRAM IN APRIL. ALL BOARD MEMBERS ARE TAKING AN ACTIVE ROLE IN THIS PROCESS IN WHICH WE ARE "LISTENING" TO CITIZEN CONCERNS AND EXPECTATIONS ABOUT OUR FUTURE TRANSIT NEEDS. ONCE THIS PHASE OF OUR CITIZEN PROGRAM ENDS, WE WILL TAKE THE INPUT WE HAVE GATHERED AND MELD IT WITH THE TECHNOLOGICAL EXPERTISE OF OUR STAFF. THE END PRODUCT WILL BE A SERIES OF SPECIFIC OPTIONS ON WHICH WE WILL THEN ONCE AGAIN SEEK CITIZEN VIEWPOINTS. COMMUNITY

AND METRO DIALOGUE WILL THEN CONTINUE UNTIL THE LIST OF OPTIONS HAS BEEN REDUCED TO A SINGLE PLAN--OR UNIFICATION OF ELEMENTS FROM THE VARIOUS PLANS--UPON WHICH SUBSTANTIAL CONSENSUS EXISTS. ONCE SUCH CONSENSUS EXISTS, THE BOARD WILL THEN DECIDE WHETHER OR NOT TO CALL A REFERENDUM.

THROUGHOUT OUR EFFORTS TO DEVELOP A NEW TRANSIT PROGRAM, METRO IS COMMITTED TO FOUR FUNDAMENTAL PRINCIPLES:

- o TO PROVIDE HOUSTON CITIZENS WITH CONVENIENT AND RELIABLE TRANSIT SERVICE KEYED TO THE AREA'S UNIQUE AND GROWING TRANSIT NEEDS.
- o TO INSURE MAXIMUM PUBLIC PARTICIPATION IN TRANSIT PROGRAM DEVELOPMENT BY EXTENSIVE CITIZEN INVOLVEMENT IN THE DECISION-MAKING PROCESS.
- o TO PROVIDE THE MOST COST-EFFECTIVE SYSTEM CAPABLE OF MEETING OVERALL SERVICE NEEDS.
- o TO DEVELOP A TRANSIT SYSTEM WITH MANAGEABLE OPERATING COST MET BY LOCAL AND STATE FUNDS.

IN LIGHT OF THESE LAST TWO PRINCIPLES, METRO RECOGNIZES CURRENT LIMITATIONS ON FEDERAL MASS TRANSIT FUNDS AND WILL CONTINUE TO MATCH THE FEDERAL GOVERNMENT \$1.00 FOR \$1.00

IN ANY LONG RANGE TRANSIT PROGRAM. IN ADDITION, METRO WILL NOT USE SECTION 9 MONIES TO SUBSIDIZE OPERATING EXPENSES SO LONG AS METRO IS NOT PENALIZED FOR THIS POLICY.

FY 1985 FUNDING REQUEST

THE IMMEDIATE TRANSIT NEEDS OF HOUSTONIANS ARE ALSO BEING ACTIVELY PURSUED BY METRO. OVER THE PAST SEVERAL YEARS, METRO HAS MADE SIGNIFICANT AND WIDELY APPROVED IMPROVEMENTS IN ITS REGIONAL BUS SERVICE. SINCE 1982, METRO HAS MADE ENORMOUS STRIDES IN IMPROVING SERVICE AND LOWERING OPERATING COSTS. IN ADDITION, METRO IS COMMITTED TO CONSTRUCT 42 MILES OF TRANSITWAYS ON THE HEAVILY TRAVELED NORTH, GULF AND KATY FREEWAYS. FINANCED PRIMARILY WITH NON-UMTA FUNDS, THESE TRANSITWAYS WILL BE CONSTRUCTED IN EXISTING FREEWAY MEDIANS. THE STATE HIGHWAY DEPARTMENT HAS PROVIDED THESE MEDIAN STRIPS TO METRO AT NO COST.

TRANSITWAYS PROVIDE A NEAR-TERM, COST-EFFECTIVE METHOD OF ALLEVIATING TRAFFIC CONGESTION IN THESE CORRIDORS.

RECENTLY, THE METRO BOARD APPROVED PLANS TO CONSTRUCT TWO ADDITIONAL TRANSITWAYS ALONG THE NORTHWEST AND SOUTH-

WEST FREEWAYS BY 1989. AGAIN, THE STATE HIGHWAY DEPARTMENT HAS CONTRIBUTED THE RIGHT-OF-WAY. THESE ADDITIONAL 23 MILES WILL BRING HOUSTON'S TOTAL TRANSITWAY SYSTEM TO 65 MILES--BY FAR THE MOST MILES OF EXCLUSIVE TRANSITWAY PLANNED BY ANY MAJOR CITY IN THE COUNTRY. AT A COST OF APPROXIMATELY \$210 MILLION, THE NORTHWEST AND SOUTHWEST TRANSITWAYS WILL PROVIDE ADDED MOBILITY IN TWO OF HOUSTON'S MORE HEAVILY TRAVELED CORRIDORS. ALONG WITH NEW PARK AND RIDE FACILITIES, THESE PROJECTS WILL ADD SUBSTANTIAL NEW SERVICE CAPACITY IN THESE RAPIDLY GROWING AREAS. ATTACHMENT A PROVIDES A MAP SHOWING THE LOCATIONS OF THE THREE TRANSITWAYS UNDER CONSTRUCTION AND THOSE PLANNED IN THE NORTHWEST AND SOUTHWEST CORRIDORS.

THE PROPOSED NORTHWEST AND SOUTHWEST FREEWAY TRANSITWAYS WILL PROVIDE HIGH CAPACITY, COST-EFFECTIVE TRANSIT SERVICE IN TWO OF THE HOUSTON AREA'S MOST CONGESTED CORRIDORS.

THE NORTHWEST FREEWAY SERVICES THE FASTEST GROWING AREA IN HOUSTON AND CURRENTLY HAS TRAFFIC VOLUMES OF

APPROXIMATELY 190,000 VEHICLES DAILY. WE ANTICIPATE THESE VOLUMES INCREASING TO ABOUT 240,000 BY 1990. THE SOUTHWEST FREEWAY CURRENTLY CLAIMS TRAFFIC VOLUMES IN EXCESS OF 230,000 VEHICLES DAILY. THIS IS PROJECTED TO RISE TO OVER 250,000 VEHICLES BY 1990. THE SOUTHWEST FREEWAY HAS THE DISTINCTION OF BEING ONE OF THE MOST CONGESTED HIGHWAYS IN THE ENTIRE NATION WITH 20-MINUTE DELAYS DURING THE PEAK HOUR.

THE TRANSITWAYS WILL PROVIDE FOR A SUBSTANTIAL INCREASE IN PEOPLE CARRYING CAPACITY IN THESE FREEWAYS. THROUGH A COMBINATION OF BUSES AND VAN POOLS, WE ANTICIPATE MOVING 35,000 PEOPLE DAILY ON THE NORTHWEST TRANSITWAY AND 29,000 PEOPLE DAILY ON THE SOUTHWEST TRANSITWAY AT NORMAL FREEWAY SPEEDS.

THE COST OF THESE PROJECTS IS VERY FAVORABLE WITH RESPECT TO THE BENEFITS DERIVED. THE 13.8 MILE NORTHWEST TRANSITWAY'S COST ESTIMATE IS \$80 MILLION OR ABOUT \$5.8 MILLION PER MILE. THE 9.5 MILE SOUTHWEST PROJECT WILL COST APPROXIMATELY \$130 MILLION OR ABOUT \$13.6 MILLION PER MILE. THE AVERAGE COST PER MILE OF BOTH PROJECTS IS \$9 MILLION.

THESE TRANSITWAYS EFFICIENTLY USE FEDERAL DOLLARS TO INCREASE TRANSIT RIDERSHIP. BY THE YEAR 2000, RIDERSHIP PROJECTIONS SAY THESE TWO TRANSITWAY'S ALONE WILL ADD OVER THREE MILLION PASSENGERS ANNUALLY TO METRO'S RIDERSHIP. FOCUSING ON THE FEDERAL INVESTMENT AND ESTIMATING THE UNIFORM ANNUAL COST, THESE PROJECT'S WILL TRANSPORT ROUGHLY ONE NEW PASSENGER FOR EVERY \$3.00 OF FEDERAL INVESTMENT. IN ADDITION, OUR ESTIMATES INDICATE THAT THESE TWO TRANSITWAYS WILL SAVE ALMOST TWO MILLION GALLONS OF GASOLINE ANNUALLY BY THE YEAR 2000.

IT IS IMPORTANT TO NOTE THAT, WHILE BOTH THESE PROJECTS PROVIDE NEAR-TERM IMPROVEMENT, BOTH ARE FULLY COMPATIBLE WITH ALTERNATIVES BEING CONSIDERED FOR THE REGIONAL TRANSIT PLAN.

ON MARCH 30, METRO SUBMITTED A FORMAL GRANT APPLICATION TO UMTA'S FORT WORTH REGIONAL OFFICE. THE APPLICATION REQUESTED A TOTAL OF \$99.5 MILLION IN NEW SECTION 3 FUNDS FOR THE PROJECTS IN 1985 AND 1986. INCLUDING THE \$5.5 MILLION FOR PROJECT ENGINEERING FROM FY 1984 FUNDS, METRO'S

REQUEST FOR SECTION 3 ASSISTANCE REPRESENTS 50 PERCENT OF THE TOTAL PROJECT COST. THE REMAINING FUNDS WILL BE MADE AVAILABLE FROM LOCAL AND STATE SOURCES, INCLUDING AT LEAST \$22 MILLION IN STATE HIGHWAYS FUNDS. WE ARE EXTREMELY PLEASED WITH THE COOPERATION THAT WE HAVE RECEIVED ON THIS PROJECT FROM BOTH THE TEXAS DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION AND THE FEDERAL HIGHWAY ADMINISTRATION. THE TEXAS HIGHWAY DEPARTMENT, FOR EXAMPLE, HAS CONTRIBUTED RIGHT OF WAYS TO THESE PROJECTS WITH AN APPROXIMATE PRESENT DAY VALUE OF \$77 MILLION. WE ALSO INTEND TO UTILIZE SOME OF THE UMTA SECTION 9 FORMULA FUNDS AVAILABLE TO HOUSTON TO HELP FINANCE THESE PROJECTS.

METRO WILL CONSTRUCT THE SOUTHWEST AND NORTHWEST TRANSITWAYS ON AN ACCELERATED SCHEDULE. FOR FY 1984-85, WE ARE PREPARED TO OBLIGATE MORE THAN \$93 MILLION. THE REMAINING \$117 MILLION WILL BE FULLY COMMITTED BY THE END OF FY86. IN ORDER TO ACCOMMODATE THIS SCHEDULE, METRO IS REQUESTING A TOTAL OF \$45 MILLION IN SECTION 3 FUNDS IN FY 1985. IN ADDITION, WE HOPE TO RECEIVE A LETTER OF INTENT FOR THE REMAINING FUNDS. WE BELIEVE THIS COMMITMENT IS

ESSENTIAL IF THE PROJECTS ARE TO REMAIN ON SCHEDULE. ATTACHMENT B PROVIDES A SUMMARY OF PROPOSED FUNDING SOURCES FOR THE PROJECTS THROUGH FY 1986.

IN SUMMARY, MR. CHAIRMAN, METRO BELIEVES THAT THE PROPOSED TRANSITWAYS REPRESENT A COST-EFFECTIVE RESPONSE TO HOUSTON'S IMMEDIATE TRANSPORTATION NEEDS. THE PROJECTS HAVE RECEIVED FAVORABLE PUBLIC RESPONSE AND CAN BE IMPLEMENTED WITH METRO'S EXISTING FINANCIAL RESOURCES. BECAUSE REVENUE BONDS WILL NOT BE NEEDED, THERE IS NO REQUIREMENT FOR A FORMAL PUBLIC REFERENDUM ON THE PROPOSED PROJECTS. THE METRO BOARD BELIEVES THAT THE PROJECTS REPRESENT A SOUND AND RESPONSIBLE APPROACH TO MEETING THE URGENT TRANSIT NEEDS OF THE NORTHWEST AND SOUTHWEST CORRIDORS WITHOUT FORECLOSING OPTIONS FOR A LONG TERM REGIONAL TRANSIT PROGRAM.

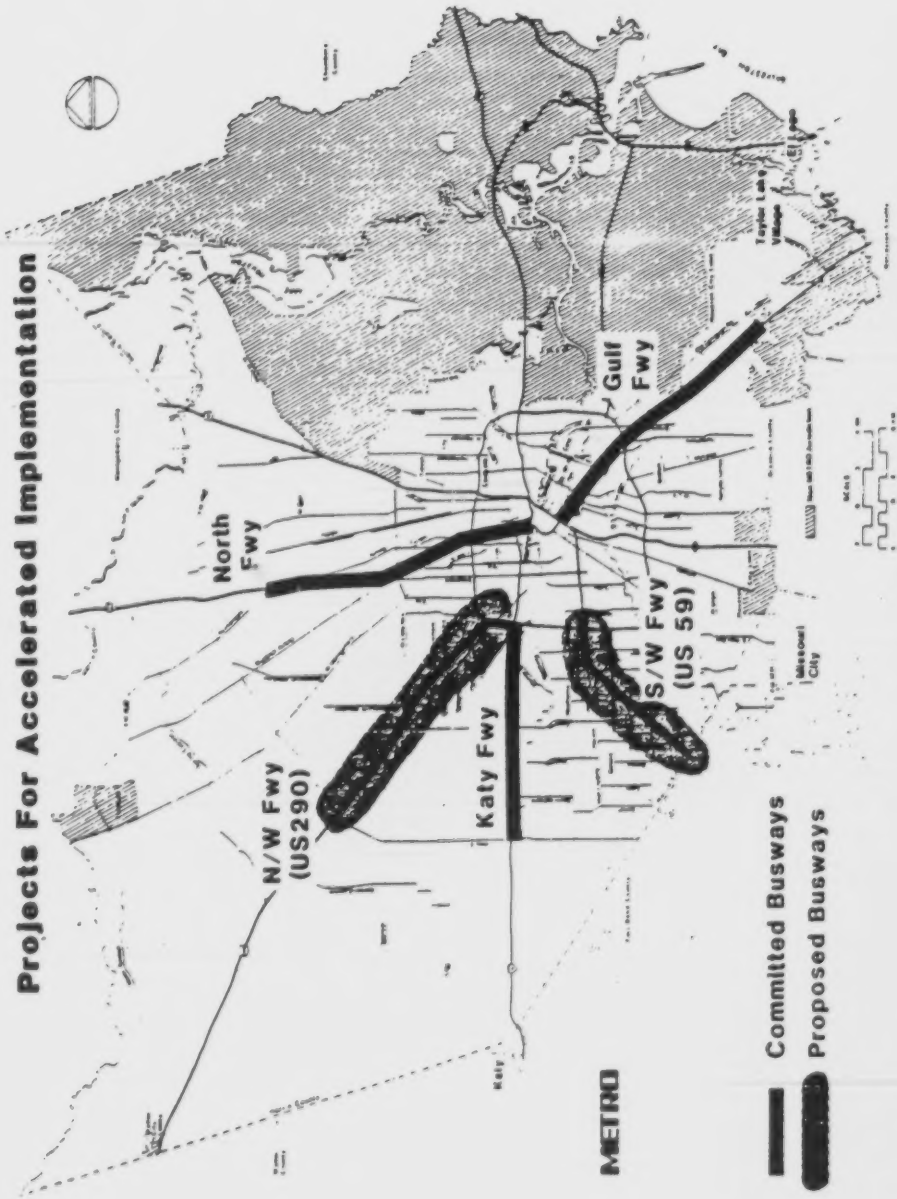
SUMMARY

THIS CONCLUDES MY PREPARED REMARKS. I HAVE TRIED TO SUMMARIZE WHERE METRO STANDS WITH ITS LONG TERM PLANS IN HOUSTON AND ALSO TO ADDRESS OUR SPECIFIC FUNDING NEEDS FOR

FY 1985 AND 1986. LET ME CONCLUDE BY EXPRESSING MY APPRECIATION FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY. METRO HOPES THAT THIS COMMITTEE WILL CONTINUE TO RECOGNIZE HOUSTON'S COMMITMENT TO DEVELOPING A QUALITY REGIONAL MASS TRANSIT SYSTEM AND WILL WORK WITH US TO PROVIDE THE LONG-TERM FUNDING SUPPORT NEEDED TO MAKE THAT SYSTEM A REALITY.

Attachment A

Projects For Accelerated Implementation



Attachment B

PROPOSED FUNDING SOURCES
ACCELERATED TRANSITWAY PROGRAM
(\$ millions)

	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>TOTAL</u>	<u>% SHARE</u>
Section 3	\$5.5	\$45.00	\$ 54.50	\$105.00	50.0
Section 9	--	13.25	13.00	26.25	12.5
State	--	26.25	26.25	52.50	25.0
METRO	<u>1.8</u>	<u>5.50</u>	<u>18.95</u>	<u>26.25</u>	<u>12.5</u>
	\$7.3	\$90.00	\$112.70	\$210.00	100.0

Plan II

No State Motor Fuel Tax Increase
(\$ millions)

	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>TOTAL</u>	<u>% SHARE</u>
Section 3	\$5.5	\$45.0	\$ 54.5	\$105.0	50.0
Section 9	--	19.5	19.5	39.0	18.5
State	--	11.0	11.0	22.0	10.5
METRO	<u>1.8</u>	<u>14.5</u>	<u>27.7</u>	<u>44.0</u>	<u>21.0</u>
	\$7.3	\$90.0	\$112.7	\$210.00	100.0

SUBCOMMITTEE RECESS

Senator D'AMATO. This subcommittee stands in recess until tomorrow morning at 10 o'clock, when we have additional witnesses. Thank you.

[Whereupon, at 11:57 a.m., Wednesday, May 2, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, May 3.]

MATERIAL SUBMITTED SUBSEQUENT TO THE HEARING

[CLERK'S NOTE.—Subsequent to the hearing, the following letters and statements were submitted for the record:]

(307)

STATEMENT OF SENATOR EXON

I am pleased with the opportunity to submit testimony regarding the need for continued appropriations for the Railroad/Highway Crossings Demonstration Program. I wish to thank the Committee for its consideration of this issue last year. Your efforts are needed and appreciated, particularly given the impending authorization sunset in 1986.

The next segment necessary for the Lincoln project is a critical link between the Southwest part of Lincoln and the Central Business District. Besides being an economic development deterrent, the Burlington Northern coal trains are a serious problem for emergency police and fire vehicles crossing the tracks. The segment requires \$8.7 million.

The City of Lincoln, developed around the rail lines laid in the early 1900s, has long been plagued with the railroad/highway grade crossing problem. A detailed study of the conflict points in the State of Nebraska was conducted in 1970. The results of that study prompted the Nebraska Unicameral Legislature to mandate the formation of Railroad Transportation Safety Districts to implement the study's recommendations for resolving the conflicts. The Lincoln District was the first one formed.

In 1973, Congress recognized the seriousness of the situation and authorized the funding of twelve railroad/highway crossing projects in Section 163 of the Federal-Aid Highway Act. Lincoln was one of the original twelve projects selected; six have since been added. The expressed intent of Congress in authorizing this program was to select projects exemplifying the diverse types of safety problems posed by rail/street conflicts throughout the country. Those projects, with federal financial assistance, were then to demonstrate the most effective ways of mitigating the dangers encountered in their respective circumstances. The legislation authorized \$50 million for each of fiscal years 1983 through 1986.

The 1970 Nebraska Study, which cited Lincoln as facing the most serious problems, recommended railroad relocations and consolidations along with the construction of separation structures at the most dangerous modal intersections. A great deal of thought and planning has since gone into the development of Lincoln's Railroad/Highway Crossings Program. In 1974 an Environmental Impact Statement was commissioned for the proposed projects. Three draft Environmental Impact Statements, with summary comparisons of alternate plans, were prepared by the consultant chosen. Seven alternate and seven sub-alternate plans, which took into consideration all of the environmental, social, economic and historical factors, were the subject of three public hearings. Adoption of an acceptable plan was complicated by the bankruptcy of the Rock Island Railroad in the middle of the negotiations. It was not until June of 1981 that a final Statement was approved.

Several years ago, Lincoln projected that we would need a total of \$40 million to complete the projects. The City and State have contributed approximately 63 percent of the funds expended thus far, a contribution which equals 32 percent of the total estimated project costs. We will continue to seek other funding for these projects but the substantial investment of financial and personnel resources that the City has already made warrants that Congress fulfill its obligation to support the completion of our projects.

Lincoln's program, as finally defined, involves the construction of four separation structures spanning tracks which have seen increasing coal train utilization. Substantial progress has been made on two of the four projects, the Coddington Avenue Bridge and

the North 27th Street Viaduct. The Coddington Avenue Bridge, originally an antiquated structure which traversed the Burlington Northern Railroad Yards, was replaced by a longer structure which eliminated two dangerous railroad/street crossings at either end of the bridge. Heavy coal and normal freight train movement existed at the bridge-end grade crossings. The costs of designing the replacement bridge were met with demonstration funds but right-of-way acquisition and the costs of construction were funded with regular State bridge funds.

Demonstration funds provided in the 1984 appropriations bill permitted completion of the design and purchase of the right-of-way for the North 27th Street Viaduct, a project to eliminate a hazardous grade crossing in the Northeast rail corridor.

The next segment of the Lincoln plan is the construction of the "K" and "L" Streets Extension, the most critical of the two remaining structures to be built. This extension will be an expressway type link between Lincoln's Central Business District and the new Coddington Avenue Bridge in Southwest Lincoln.

Southwest Lincoln is currently isolated from the Central Business District and other areas of the City by tracks which serve the high volume traffic of the Burlington Northern coal trains and other heavy freight carriers. At present, street travelers must cross over five sets of tracks, which carry an estimated 36 trains per day and are expected to carry 90 trains per day in the year 2005. Trains crossing over this grade into or out of the Burlington Yard are generally travelling at speeds of five to ten miles per hour and average 100 cars in length. Delays to travelers are, thus, very long. The lack of convenient and safe access to this sector of the City has severely hindered its economic development.

It also has posed a serious problem for emergency police and fire vehicles which need to traverse the tracks to get to the residents in the area. The Police Department estimates that at least one police vehicle per day on an emergency call is delayed by a train blockage. The Fire Department, with a one truck station within the boundaries of the Southwest section, experiences major train created delays one to two times per month. Ambulance services personnel quoted an average of five calls per week which are held up by train crossings.

The proposed "K" and "L" Streets improvement would entail the construction of a two lane bridge. The two paved lanes will be built on a four lane grade, allowing for eventual expansion to a four lane divided highway. This expansion would be completed when the predicted economic growth of the Southwest section creates higher traffic volumes, and when finances make the effort feasible. Once again, the City is not asking for the federal government to do it totally, but some assistance is necessary to begin the job.

The "K" and "L" Streets extension is desperately needed, but neither the City of Lincoln nor the Nebraska Department of Roads will be able to meet the costs of this project by themselves. Federal bridge funds, used to partially fund the Coddington Avenue project, can not be used as there is no original bridge to replace. The estimated federal funds necessary for the right-of-way acquisition and construction of the two lane linking structure is \$8.7 million. The final design, undertaken with local funding, is due to be completed at the end of this year. Therefore, federal funding is needed in 1985 so that the progress of work will not be impeded. Without federal assistance, this project will not move forward.

The other demonstration projects selected by Congress to participate in this program are also in dire need of federal

funds. Most of them, like the City of Lincoln, have invested considerable time, effort and money in planning their railroad/highway crossing activities in anticipation of receiving the authorized federal grant funds. The funding needs of our projects, as they move into the right-of-way acquisition and construction work, are considerably greater than the costs incurred for planning and design.

It is important that the Appropriations Committee recognize this need, as well as the commitment that we have made to successfully completing these safety projects, by appropriating the necessary funds for Fiscal Year 1985. The City of Lincoln, given the \$8.7 million, could come very close to completing the third segment of our four phase program. Once again, this is a project which would ease a transportation bottleneck, eliminate grave safety problems and enhance the development efforts of an entire section of our City. Your consideration and support would be greatly appreciated by the citizens of Lincoln, Nebraska.

LETTER FROM LAWRENCE L. BURIAN, PRESIDENT, NATIONAL AIR TRANSPORTATION
ASSOCIATION

The Honorable Mark Andrews
Chairman
Subcommittee on Transportation
Committee on Appropriations
U.S. Senate
Washington, D.C. 20510

May 2, 1984

FOR THE RECORD: FY'85 FAA APPROPRIATIONS

Dear Mr. Andrews:

As the national representative of America's airport service and support organizations, commonly known as fixed base operators or FBOs, and the nation's air taxi airlines, the National Air Transportation Association appreciates this opportunity to submit our views for the record on FY1985 appropriations for the Federal Aviation Administration.

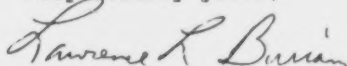
Since we were a participant in the joint statement of twelve aviation organizations presented to your Committee, our comments here will be brief and will center on two major issues: the fairness of the aviation tax and spending issue and the need for a commitment from the Congress to improve our nation's vital airport and airways system.

As you know, the aviation industry joined with the Congress and the Administration in 1982 to develop a comprehensive plan for airport and airways improvements. The key agreement between these parties was simple: the users themselves should pay for improvements to the system in which they operate. Based on what has happened since late 1982, I think you'll agree that users have every right to feel betrayed.

We certainly understand the many political challenges of the transportation appropriation process, and we admire your ability to balance the needs of the nation with the finite resources at your disposal. But we believe it is simply not fair under a "pay-as-you-go" system to make aviation users "pay" and not let them "go."

Many witnesses have made very convincing arguments before your panel on how the plan for airport and airways improvements will be sidetracked if full funding is not made available. The aviation industry must have the commitment of the entire Congress in order to successfully implement the much needed improvements in our aviation system. We respectfully request appropriations for FAA's airport improvement, facilities and equipment and research and development at the level requested in the Administration's budget. In addition we urge you to commit to full funding for the life of the 1982 Airport and Airways Improvement Act.

Respectfully yours,


Lawrence L. Burian
President

STATEMENT OF THOMAS C. DORSEY, VICE PRESIDENT, THE AMERICAN SHORT LINE
RAILROAD ASSOCIATION

My name is Thomas C. Dorsey, and I am Vice President-General Counsel of The American Short Line Railroad Association (ASLRA), 2000 Massachusetts Avenue, N. W., Washington, D. C. I have held this position since November 1978. My prior experience includes four years with the Association of American Railroads, private law practice, and nearly eight years with the Interstate Commerce Commission, beginning in 1962. I hold a B.A. degree from the State University of New York at Buffalo and a J.D. degree from Duke University.

ASLRA is a voluntary, unincorporated, nonprofit trade association composed of approximately 265 member railroads, most of which are Class III carriers under the Commission's revenue classifications. ASLRA represents its member roads in regulatory matters before various Federal agencies, the Congress and the courts, insofar as such matters require joint handling in the interest of safe, adequate, economic and efficient rail service for the public.

Most of the railroads we represent are small -- small in revenues, as Class III signifies, and small in size. There is, of course, no statutory definition of a short line railroad, but by tradition, that name has referred to a road of less than 100 miles in length, and the vast majority of our members are well below that mark. Many of these short line railroads now provide the only direct rail service to the literally thousands of communities, industrial areas and ports that they serve. These lines are vital to their shippers and are important to the railroad industry as a whole in that they originate, terminate, or handle as an intermediate carrier, substantial quantities of freight primarily transported by the nation's large railroads. By virtue of their size, proximity to their shippers and receivers, and the familiarity with the needs of these customers, short lines provide an efficient and economical service responsive to the demand of those utilizing them.

The first short line railroads were born out of necessity in the

late 19th and early part of the 20th century. Existing trunk line carriers could not or would not invest any substantial sum of money in building a branch line to a single plant, mine, or other industry, unless the success of that particular industry had been proved to the extent of assuring a regular dependable rail movement sufficient to justify the investment. Since the development of the industry and the building of the railroad went hand-in-hand, their success could not be guaranteed in advance and therefore could never have gotten off the drawing boards unless those interested in them had built and operated their own railroads. Generally speaking, only those who had confidence enough in a new industry to finance its development and operation were willing to take that kind of risk.

A new class of short lines, formed in the past decade, also were born out of necessity. They came into existence in part due to the overbuilt condition of the trunk lines and the financial problems associated with branch lines. It became apparent to the Congress over 10 years ago that the branch line problems, although varying significantly in character and severity from region to region and within certain regions of the Nation, was a serious problem nationwide. Therefore, beginning with the 3-R Act, and continuing with the 4-R Act and others, it authorized a branch line assistance program. Underpinning this program was the belief that with the infusion of financial assistance in appropriate forms, many deteriorated branch lines in a poor financial posture could be successfully rehabilitated, both physically and financially. Appropriate rehabilitation efforts were expected to have a catalytic effect in luring new industry to locate along a line and further enhance the line's chances for financial viability. This program had good results and more than 40 railroads have come into existence under it. These carriers, like all short lines, primarily provide transportation to industries and communities that would otherwise have no rail service available.

We are not here, of course, to discuss that program, but I think it is important to mention it in passing as groundwork for the

evolutionary process of small railroads in transportation, one in which the Congress has played a vital role. Naturally, the most significant development came with passage of The Staggers Rail Act of 1980.

Our member railroads and the Association were active in the long legislative battle that preceded enactment of that bill in October of 1980. In testimony on behalf of the Association on April 2, 1980, before the House Subcommittee on Transportation and Commerce, P. Howard Croft, President, endorsed the need for so-called deregulation of transportation, but urged that "any changes legislated in the regulatory framework be carefully structured to enhance rather than disrupt [the national rail] system." Of critical concern to small railroads were proposed changes in the statute governing joint rates whereby one carrier to such an arrangement would be permitted to unilaterally impose a surcharge on a joint rate or cancel its participation in it, and we proposed an amendment to enable small carriers to challenge proposals of this type by large railroads, one facet of which provided authorization for the ICC's Special Counsel "to assist such railroads in preparing a legally sufficient action..." The dispute over the surcharge and cancellation changes was among the most heated of any surrounding that bill and the potential adverse impact of these changes on small carriers was a key element in the controversy. However, not until a number of protections for small carriers were added through an amendment offered by Rep. Gary Lee, in concert with Subcommittee Chairman J. J. Florio, and Rep. Edward Madigan, and a specific provision authorizing assistance by the Special Counsel was added in conference with the Senate, that small railroads withdrew their opposition to it. Those protections are now contained in 49 U.S.C. section 10705a (d), (i), (j), (k), (l), (m) and (o).

Through a series of split decisions the Commission has nullified most of the protection for short lines, sought to be accomplished by the amendments in section 10705a. However, one provision designed to

assist short lines has worked very well. That provision, subsection (o), provides as follows:

(o) The Special Counsel of the Commission may, consistent with the rail transportation policy in section 10101a of this title, provide assistance to Class III carriers and small businesses in preparing actions under this section.

The Office of Special Counsel has been a real friend to short line railroads. When OSC was permitted to participate in Commission proceedings as a party* it looked out for the interest of small railroads. For example, in a major proceeding relating to the cancellation of joint rates (Docket No. 38689), Restructured Rates on Grain Products, Conrail, OSC forcefully argued that Congress has determined that the interests to be protected by 10705a (j) and (k) are those of the Class III carriers and that reference to other sections of the act "to defeat the clear interest of 10705a (j) and (k) is inappropriate and contrary to the legislative directive".

The Office of Special Counsel has not only been helpful in fulfilling its statutory mandate by counselling short lines in numerous instances on the application of the surcharge provisions, it has participated in individual cases and contributed a small carrier/shipper point of view in major rulemaking proceedings. To cite but one example, the Office of Special Counsel raised important questions and cautioned the Commission about the ramifications of approving the exemption proposed by Conrail for boxcar traffic in Ex Parte No. 346 (Sub-No. 8). However, the exemption was ultimately approved by a split vote of the Commission and I believe that few, if any, decisions by the agency has aroused the controversy as has this one, particularly in the Congress. The last report I have indicated that nearly 200 members of the House and 70 members of the Senate have expressed opposition to this exemption, and legislation seems likely to be considered this session to eliminate its harsh consequences for small carriers.

* In 1983, the ICC changed its rules governing the Office of Special Counsel and now requires it to authorize participation by OSC in agency proceedings. That requirement should be rescinded.

Other offices of the Commission are sometimes contacted by short line railroads, but the Office of Special Counsel has always been a particularly responsive and reliable source of aid and information. I believe this is because the primary mission of the office is to provide public assistance. Our members depend on ready access to assistance and its availability, both promptly and authoritatively, is essential given the very short time frames contained in The Staggers Act for responding to proposed abandonments, contracts, surcharges and route cancellations. Its elimination would be a real loss to all concerned.

The number of short lines has been increasing as deregulation accelerates and Class I railroads "rationalize" their systems by eliminating branch line operations. I know that the Office of Special Counsel has assisted short line operators or potential short line operators in the context of numerous rail abandonment proposals and construction proposals, and it has also been responsible for the formation of new carriers.

For example, when it appeared that the opponents of the proposed branch line abandonment would be better off starting a new short line railroad, the Office of Special Counsel assisted the Tri-County Rail Authority in hearings concerning the Louisville and Nashville's proposed abandonment of its 60 mile Sparta branch line between Tullahoma and Sparta, Tennessee. The Office helped the Tri-County Railroad Authority in their efforts to obtain a short line operator, giving advice and counsel on funding, acquisition, negotiation, and operation of a short line. Ultimately the Caney Fork Railroad was created and now owns and operates the line.

In F.D. 29254F, Somerset Railroad Corporation Construction and Operations of a Line of Railroad in Niagara Co., N.Y., the Office of Special Counsel assisted literally hundreds of groups and individuals in hearings concerning the location of a rail line being built to serve a coal fired utility. Oral hearings and environmental proceedings were conducted over a two year period. An Office of Special Counsel staffer assisted a local farmer and assembly line worker in mapping out his proposal for location of the rail line that maintained service to

Lockport, N.Y., the county seat, but limited the adverse impact on surrounding farms and businesses. The route was initially opposed by the railroad, the electric utility, and the county government. With OSC's support and assistance (an OSC attorney formally presented the maverick proposal at the hearing and conducted direct and cross examination on its behalf) the line first favored by the railroad and utility was denied by the Commission. At the next round of hearings the railroad, the utility, and the county all supported the farmer's line, it was certified by the Commission, and it is now in operation.

These examples are just a few of the instances that could be cited where the Office of Special Counsel has helped "the little guy": shippers, farmers and ranchers, small railroads and small businesses. I know that similar examples could be cited in the bus and motor carrier area. Deregulation has been traumatic for many of these interests across the nation, especially small railroads. In debate preceding passage of The Staggers Act, Rep. Lee expressed two key objectives:

My major involvement in this legislation has been to insure that the small class II and class III carriers who are such an important part of our national railroad system will benefit and not be harmed by deregulation legislation.

* * * *

Our congressional policy is to encourage transactions involving class III carriers especially in situations where the alternative to continuation of service may well be liquidation of service. 126 Cong. Rec. H8553, (September 9, 1980).

The Office of Special Counsel has been a valuable resource for small railroads seeking to make the necessary adjustments under the new regulatory regime and thereby obtain some of the benefits of deregulation for themselves, as the Congress intended. We urge the Congress to preserve this small office in its present identifiable structure and let it serve as a focal point in providing service so vitally needed by our members and other public parties involved in transportation. I do not believe the experience and talented personnel in that office will be able to operate effectively or efficiently if they are scattered among various other Commission offices, as I understand has been proposed. Finally, we also suggest

that beyond continuation of the office, the Special Counsel should be vested with discretion as to the proceedings in which it will participate, as it was in the past. The present limitation frustrates the purpose of the office and inhibits the independent role it is designed to perform.

Our Board of Directors has adopted a Resolution in support of the Special Counsel, and a copy is attached to this statement.

Thank you for this opportunity to comment on this important topic. I shall be pleased to respond to any questions you may have.

The American Short Line Railroad Association

Board of Directors Meeting
October 10, 1983

RESOLUTION

WHEREAS, The Special Counsel of the Interstate Commerce Commission was directed by the Congress to provide assistance to Class III railroads and small businesses in combating joint rate surcharges and route cancellations under 49 USC section 10705a; and

WHEREAS, The Special Counsel was given this responsibility by the Congress to satisfy the objections presented by Class III railroads against legislation authorizing joint rate surcharges and route cancellations and to ensure that their interests were adequately considered by the Commission in complaints or protests opposing such surcharges and cancellations; and

WHEREAS, The Special Counsel has not only provided assistance to Class III railroads in the manner intended by the Congress but has developed evidence and information for the benefit of the Commission, carriers, and the public on a wide variety of critical issues in the transitional era subsequent to enactment of The Staggers Rail Act of 1980 and the Motor Carrier Act of 1980; and

WHEREAS, A majority of the Interstate Commerce Commission has recently voted to eliminate The Special Counsel by failing to approve any funds for that function in fiscal year 1985; and

WHEREAS, The action by the majority of the Commission is contrary both to the intent of Congress and the will of Congress as reflected in 49 USC section 10705a;

BE IT THEREFORE RESOLVED, That The American Short Line Railroad Association opposes the unjustified action by the Interstate Commerce Commission eliminating The Special Counsel, and urges that funds for this essential function be restored by the Office of Management and Budget or the Congress.

STATEMENT OF THE NATIONAL ASSOCIATION OF GOVERNORS' HIGHWAY SAFETY
REPRESENTATIVES

The National Association of Governors' Highway Safety Representatives (NAGHSR) appreciates the opportunity to submit a statement for the record on appropriations for Fiscal Year 1985 for the U.S. Department of Transportation.

The Association, through guidance of the entire membership and its Executive Board, operates in the area of highway safety on behalf of the States, Territories, and the District of Columbia, with the Congress and the Executive Branch. By memorandum of agreement, NAGHSR is the highway safety support affiliate of the National Governors' Association; acts as a central dissemination point for information concerning legislative and administrative activity affecting the States' highway safety programs; as a clarification center of technical information; and for any other related task within the scope of its Articles of Incorporation (which limits the Association's activities to the national highway safety program).

We wish to ask for your continued support for full funding for the State and Community Highway Safety Program, created by the Congress in Section 402, Title 23, U.S.C. (commonly referred to as the "402" program). This modest program represents the only form of direct Federal assistance to States and communities for the purpose of addressing the human factor issues which are the primary cause of the vast majority of fatal and personal injury traffic crashes in this Nation.

We would also like to go on record with comments regarding certain other U.S. Department of Transportation budget requests.

The Omnibus Reconciliation Act of 1981 set authorization levels for the Section 402 State and Community Highway Safety Grant Program at \$100 million per year through FY 1984, and that level is extended through FY 1986 at \$100 million per year in the Surface Transportation Assistance Act (STAA) of 1982. (It should be noted that these authorization levels are far below those enacted for the program in its beginning years and throughout the 1970's, when the NHTSA 402 program was authorized at \$175 million.) In recent years, however, Administration budget requests (Fiscal Years 1982,

1983 and 1984) were only \$77 million each year for this important highway safety program that is funded out of the Highway Trust Fund and administered by the National Highway Traffic Safety Administration (NHTSA). In its wisdom, each of those years Congress funded the program at levels very close to or exactly at the \$100 million mark. We were glad to learn, therefore, that this year's budget submission for the NHTSA 402 program is \$98.1 million, much closer to the real world levels in this program, and a recognition of the importance Secretary of Transportation Dole has placed on highway safety. This request is still, however, \$1.9 million below the authorized level.

In addition, the issue of child passenger safety has gained increased attention in the States in the past few years and will require additional funding through the 402 program. Since 1977 when Tennessee became the first State to enact a mandatory child restraint law, 45 other States and the District of Columbia have passed laws requiring that children of various ages be protected while riding in cars. Legislative and programmatic activity is expected in most of the 4 States without laws this year. In recognition of this avalanche of activity and the need to implement the laws on the books, a bill (H.R. 4616, the Child Passenger Safety Act of 1984) was introduced, passed the House on April 30, and is working its way through the legislative process in the Congress. H.R. 4616 would raise the authorization level in the 402 program to \$115 million in Fiscal Year 1985, and require the States to spend 8 percent of the total to develop comprehensive child passenger safety programs. It is expected that a comprehensive program include such emphases as establishment of statewide child safety seat "loaner" programs, whereby low-income families and others have access to child safety seats at little or no cost, and education programs for both the public and the enforcement community on proper use of the seats. There are several steps to be taken after the child passenger safety laws are passed in order to assure timely and widespread compliance. The 402 program has served as an excellent channel through which such implementation activities take place, but we believe there is an urgent need for increased financial and programmatic emphasis in this area, in order to see usage rates increase and to institutionalize child passenger protection in this country. We, therefore,

support H.R. 4616 and increased obligation ceilings for the 402 program (\$115 million for FY 1985) to address these needs.

Although this issue of child passenger safety, like most other highway safety issues, is one best addressed and solved at the State and local level, there is a continuing recognition that automobile fatalities and injuries are an epidemic that is national in scope and the 402 dollars will act as the seeds out of which permanent behavioral change will grow. The 402 program represents a highly successful Federal/State partnership in support of many crucial highway safety program, including those supporting child passenger protection.

We also note that the Administration request for the 403 Research and Demonstration program has increased from \$6.2 million to \$8 million. This demonstration program, designed to probe issues such as safety belt usage, drunk driving, emergency medical services and the National Driver Register, should be a necessary complement to the 402 grant program, laying the research foundation for solving the problems in these important highway safety areas, and we support the increase.

The Administration has also requested an increased amount over the last year for the Alcohol Safety Incentive grants program (23 U.S.C. 408) for FY 1985. This program is authorized at \$50 million for FY 1985, and the Administration's budget request is \$43.975 million. Thirteen States have qualified for 408 incentive grants, and it is anticipated that several more will do so over the next few years. This budget request reflects the hope that a greater number of States will become eligible for these funds that were authorized by Congress in 1982 for the purpose of reducing traffic fatalities and accidents caused by persons driving while under the influence of alcohol.

The Administration's request to continue to fund the Highway-Related Safety Grants, administered by the Federal Highway Administration, is \$9.8 million in FY 1985. Not only is this request \$200,000 below the authorized level, but the case could be made that this program (known familiarly as the FHWA 402 program) is generally underfunded. This program has been

drastically reduced to recent years, as well; it used to be authorized at \$25 million per year. It ought to be funded at a higher level because the "roadway-related" 402 standards are increasingly important vehicles for State highway safety offices to use in influencing how safety is incorporated in the construction maintenance, operation and repair of our highways. This is a small program, in the scope of the entire safety program, and does not nearly represent all highway safety funding administered by the Federal Highway Administration. It is a program, however, that has been applied well in the States and demonstrated that the "seed money" concept of the 402 program works on roadway-related as well as the behavioral side of the highway safety aisle.

Although we are encouraged to see that the request for the Motor Carrier Safety Grants (Section 402 of Public Law 97-424) is \$16 million, up from \$8 million last year, we were in hopes the Administration would request \$20 million, the fully authorized amount for FY 1985. Several Governors' Highway Safety Representatives are involved with other State agencies in the management of this new grant program and will apply for the larger implementation (as opposed to planning) grants in FY 1985. We look forward to following the results and accomplishments of this intra- and interstate truck safety program.

Thank you.

LETTER FROM WILLIAM H. DEMPSEY, PRESIDENT, ASSOCIATION OF AMERICAN RAILROADS

The Honorable Mark Andrews
Chairman, Transportation Subcommittee
Senate Appropriations Committee
Room 417
Russell Office Building
Washington, D.C. 20510

May 2, 1984

Dear Mr. Chairman:

I appreciate this opportunity to comment on a proposal before your Subcommittee that would direct the Interstate Commerce Commission to defer implementation of its Uniform Rail Costing System (URCS) pending further analysis and review by the proposed Rail Accounting Principles Board. The reasons why that proposal should be rejected are set forth fully in the enclosure. In brief:

-- the implementation of URCS concurrently with the establishment of the Railroad Accounting Principles Board will not prejudice the ability of the Board to review, modify or reject the system;

-- the establishment of URCS is consistent with Congressional directives;

-- URCS is a superior costing system that has been developed with the guidance of two large public accounting firms and with participation by all interested parties;

-- URCS will not decrease the volume of regulated traffic; and

-- perhaps most importantly, prohibiting implementation of URCS will require use of a makeshift, patchwork costing system that will be demonstrably inferior to URCS.

For all of these reasons, I strongly urge the Subcommittee to reject the proposal to require deferral of URCS.

In testimony before your Subcommittee -- supposedly on the proposal to defer URCS -- spokesmen for the National Coal Association and the Edison Electric Institute took the occasion to repeat all of the attacks on the Staggers Act which they had presented to the Senate Committee on Commerce, Science and Transportation last summer. I will not take the Subcommittee's time, nor add to its record with a point-by-point rebuttal of the arguments and factual misstatements presented by these spokesmen because it is not relevant to the matter before the Subcommittee. I would like, however, to draw to your attention and incorporate by reference the rebuttals contained in my testimony before the Committee on Commerce, Science and Transportation which appear at pages 77-105 of the Hearings (Hearings on Oversight of the Staggers Rail Act of 1980, July 26, 27 and September 1, 1983, serial No. 98-37).

Sincerely,

William H. Dempsey

William H. Dempsey

COMMENTS OF THE ASSOCIATION OF AMERICAN RAILROADS
ON THE PROPOSAL TO DEFER IMPLEMENTATION
OF THE UNIFORM RAIL COSTING SYSTEM (URCS)

Establishment Of Accounting Principles Board Is Not Dependent Upon Delay Of URCS

It has been proposed that the Congress direct the Interstate Commerce Commission (ICC) to postpone the implementation of the Uniform Rail Costing System (URCS) pending the formation, deliberations (up to three years), and execution of the findings of a Railroad Accounting Principles Board. Delay of URCS at this juncture is unnecessary and obstructive. The Staggers Act Conference Report provides that a Railroad Accounting Principles Board would, as part of its function, review the Commission's uniform revenue and cost systems being promulgated pursuant to the 4-R Act. It also clearly states that "the Commission will continue its efforts to complete the uniform revenue and cost systems which it commenced after the passage of the 4-R Act ..." The Board, with its mandate to formulate "sound principles to govern the determination of railroad costs rather than detailed standards", can still evaluate and offer future improvements to the now-developed URCS formula just as it can other ICC accounting systems. Delay of the implementation of URCS for several years will serve no logical purpose and, for the reasons stated herein will not serve the interests of the railroads or its shippers.

URCS Is Consistent With Congressional Directives

The regulatory costing formula contained in Rail Form A (RFA) has been used by the ICC since its development in the late 1930's. Throughout its use, the lack of specificity and reliance on averages have been cited by shippers and others as highly undesirable characteristics of that formula. In adopting a policy to "promote separate pricing of distinct rail and rail-related services" in the Railroad Revitalization and Regulatory Reform Act of 1976 (4-R Act), Congress recognized the shortcomings of the RFA costing mechanism. Section 307 of the 4-R Act directed the ICC to prescribe a new uniform cost and revenue accounting system for railroads "in order to assure that the most accurate cost and revenue data can be obtained ... in establishing fair and reasonable rates ..."

As a prerequisite to the development of a new cost procedure, the ICC

undertook two interrelated tasks: (1) restructuring the Uniform System of Accounts for railroads which had remained essentially unchanged since 1907, and (2) refining the railroad cost-finding procedures employing the new system of accounts. After six public meetings and a proceeding in which public comment was requested, the new accounting system became effective on January 1, 1978.

Meanwhile, the new cost-finding procedures, dubbed "URCS", were going through an evolutionary process which was to span eight years, and involved formal Commission reports, public comment, ICC seminars, and distribution of Commission data bases and computer programs. In January 1983, the ICC initiated a rulemaking proceeding (Ex Parte No. 431) concerning the adoption of the new costing methodology. Comments were filed by all interested parties during October 1983, and a Commission decision is reportedly imminent.

Thus, URCS is the culmination of a legislatively-mandated effort to revise and enhance the railroad costing system. This effort was broadly supported by shippers and carriers alike. URCS is a direct product of the 4-R Act and is possible because of increased sophistication of computer application. The new cost formula is also consistent with the intent of the Staggers Act and is specifically attuned to the policy stated therein "to ensure the availability of accurate cost information in regulatory proceedings, while minimizing the burden on rail carriers of developing and maintaining the capability of providing such information" (49 U.S.C. Sub-section 10101a(14))

In essence, the need for refined cost procedures was recognized in the 4-R Act and, consequently, URCS' development was started several years prior to the Staggers Act. URCS is consistent with the Staggers Act which specifically contemplated the use of RFA "or an alternative cost methodology."

URCS Is A Superior Costing System

The central theme throughout the development of the revised Uniform System of Accounts and the associated URCS methodology was the formulation of a more accurate accounting and cost system. The 4-R Act specifically provided that the new system was to include:

"(i) operating and non-operating revenue accounts; (ii) direct cost accounts for determining fixed and variable costs ...; and

(iii) indirect cost accounts ... and the method for the assignment of such costs to various functions ..."

After eight years of development URCS is unquestionably a superior costing tool to RFA. First, it utilizes the new accounting system which generates more specific data (e.g. - costs by car types and functional disaggregations). Second, URCS can logically annualize certain cost data, such as maintenance of way expense, thereby affording a more accurate representation of rail costs and operations which typically transcend single-year periods. Third, more sophisticated statistical techniques are performed on more cost categories and the analysis is done with a dynamic and current data base as opposed to the frozen timeframe used in RFA. And fourth, individual railroad costs, rather than industry or regional averages, can be produced by URCS.

URCS Has Been Openly Developed

From the June 1976 ICC contract initiating the design of a more responsive costing system to the current, final stages of the rulemaking concerning its adoption, the URCS developmental process has been open and public. The ICC has complied with its 4-R Act directive (Section 307) to "consult with and solicit the views of other agencies and departments of the Federal Government, representatives of carriers, shippers, and their employees, and the general public" when promulgating the new regulations and procedures.

From the time of the opening contract related to URCS development, the railroad industry, as appropriate, has been active in all phases of URCS development, installation, and testing and has exercised every opportunity to participate in all public forums in which the ICC has requested assistance and comments.

The shipping public has likewise had numerous opportunities to become involved in the developmental process. In recognition of this participation, the National Industrial Transportation League offered the following observation in its February 16, 1982 submission to the ICC regarding URCS.

"The League has sought to cooperate with the Commission in its efforts to produce and develop a Uniform Rail Costing System with the hope that ultimately this will constitute an advance over the Rail Form A methodology, which has been in such active use before the Commission. The League also supports the objectives for the improvement of the methodology and accuracy"

of railroad cost accounting which is embodied in the provisions of Title 3 of the Staggers Rail Act, 49 U.S.C. Sub-section 11161-11168."

URCS Does Not Decrease The Volume Of Regulated Traffic

There has been some shipper speculation that the implementation of URCS will significantly increase the traffic which is exempt from ICC regulation. This is simply not the case. In fact, the number of tons and carloads subject to ICC jurisdiction (that traffic with revenue to variable cost ratios in excess of the 175 percent threshold) will more likely increase under URCS.

By virtue of greater specificity in accounting input data, more sophisticated statistical allocation techniques, and identification of individual rail carrier variabilities, the costs for specific movements under URCS will vary from RFA costs. The variance will be upward or downward depending upon the combination of pertinent variables involved. On average, these more accurate shipment costs tend to be offsetting and yield only a marginal overall shift in the amount of traffic subject to regulation. It is ironic, however, that some of the biggest gains in this redistribution process are most likely to be registered by coal shippers and receivers--some of whom are the most vocal critics regarding the implementation of URCS.

Postponement Of URCS Is Regressive

The improved and more detailed railroad accounting system put into place in 1978, rendered the old RFA costing formula physically incompatible and obsolete. Until URCS is adopted, a patchwork costing system is required to overcome the incompatibility of the new accounting system and the old RFA costing routine. This is because the new railroad system of accounts, adopted in 1978, cannot be used to determine RFA costs. Thus, a makeshift process places heavy reliance on questionable account conversions or indexation and ironically yields results that can be less accurate than those capable of being produced under the old, discontinued accounting system.

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, MAY 3, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The committee met at 10:05 a.m., in room SD-124, Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and Eagleton.

NONDEPARTMENTAL WITNESSES

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

In the past year the subcommittee has received requests from about 50 persons and organizations to be heard on transportation issues of every sort.

In view of this, I would like to remind the witnesses of our procedure by which the red light goes on after 5 minutes. Particularly since my distinguished colleagues are here today, and they are known to be, fortunately, a little less winded than I am.

I thought I would make a double emphasis and in their honor I would point out the fact that Joseph Pulitzer wrote one time in expressing advice to editorial writers, columnists, and reporters, "Put it before them briefly so they will read it, clearly so they will appreciate it, picturesquely so they will remember it, and above all accurately so they will be guided by its light."

That is for the benefit of my colleagues in the Senate. For the benefit of them as well as the general public let me tell you what my first appropriation subcommittee chairman, a great and delightful fellow by the name of John Rooney, who I served under about 20 years ago in the appropriations subcommittee said.

When he went into outside witnesses he said, "Remember, the amount you get from us is in inverse ratio to the amount of time you spend telling us about it."

I think that is probably still good advice but frankly because we have so many, in order to accommodate everyone, let's do it in 5 minutes.

We can assure you that your total written statement will appear as given every word and we hope that you can summarize it.

Our first colleague to testify is the Honorable Mack Mattingly, a member of this committee, a distinguished Senator from the great State of Georgia. He is here, I understand, to talk about the Metropolitan Atlanta Rapid Transit Authority.

CONGRESSIONAL WITNESS

STATEMENT OF HON. MACK MATTINGLY, U.S. SENATOR FROM GEORGIA

Senator MATTINGLY. Thank you, Mr. Chairman. I have been chairing a hearing upstairs for the Banking Committee and the witness I had was talking when I left, and I am certain he will be talking when I get back. I appreciate the opportunity to testify before you on the Transportation Subcommittee and I will hold my remarks within that 5-minute timeframe. I would like to submit for the record, though, the report, "Airport to Doraville by 1988." Mr. Chairman, about this time last year I also appeared before your subcommittee to testify on behalf of the best comprehensive bus and rail mass transit system in the country, the Metropolitan Atlanta Rapid Transit Authority [MARTA].

Because MARTA has demonstrated such an outstanding track record since its inception, you and other members of the subcommittee were generous in your fiscal year 1984 appropriations for MARTA.

For that, I and the people of Atlanta and all of Georgia and the Southeast are grateful. With your continued support, MARTA can complete its north-south line by 1988. This would be a tremendous accomplishment.

On April 11, 1984, the UMTA Administrator, Ralph Stanley, testified before this subcommittee and described to you the set of criteria which UMTA will use to evaluate contending applications for scarce new start funds.

The factors that he enunciated that UMTA will consider are: One, strength of support at the local level; two, assurance of a stable and reliable source of non-Federal funds to operate and maintain the system once it is constructed; three, cost effectiveness; four, attraction of new passengers; and five, traveltime reductions for existing passengers.

MARTA far surpasses all other mass transit systems in the country on all these evaluation criteria. Let me give you some examples how.

MARTA is investing almost a half a billion dollars of local money under the letter of no prejudice mechanism in order to construct a rapid rail transit system in the most cost effective timeframe and to avoid the rapid escalation of construction costs.

MARTA can do this because since 1971 the people in the Atlanta area voted to levy a 1-percent sales tax to build and operate a rapid rail system and to provide a comprehensive mass transit service to metropolitan Atlanta.

MARTA has developed an energetic plan that is a model of Federal-local partnership. It is a kind of plan that we in the Congress like to

see. MARTA is paying 100 percent of the cost of the 9 miles of rail now under construction. This work is covered by a letter of no prejudice.

MARTA is currently requesting \$338 million from UMTA over the next 3 years to complete the north-south line. If this funding is approved, the Federal share of the 19 miles under construction or in design will be 39 percent and the local share 61 percent. Of the 16 miles of rail currently in service, the Federal share has been 70 percent and the local share 30 percent.

There is no doubt that there is a strong commitment by the Atlanta area to see completion and operation of its mass transit system.

I would also like to raise another issue of great interest to Congress and to us as members of the Appropriations Committee. The issue is cost-effectiveness.

MARTA ranks as one of the most cost-effective systems in the country. In fact, in December when MARTA opens 9 additional miles of track and five stations, ridership on the rail will increase from 130,000 passengers per day to 190,000 per day.

In 1988, when the entire north-south line is completed, it will connect three of the largest concentrations of employment in metropolitan Atlanta.

The total number of jobs in these three areas; the Atlanta Airport, the central business district and the Northeast quadrant is 275,000. When the north-south line is completed, 250,000 people will use the rail system each day. This is a tremendous accomplishment and testimony to cost-effectiveness.

While I could spend a considerable amount of time touting MARTA's success, I will not. The report I am submitting for the record will emphasize some more of them.

I would, however, like to mention one final success that deserves, I think, special mention; that is, minority business participation.

Of the contracts that MARTA has awarded so far, minority businesses have received more than 20 percent, female businesses more than 5 percent. MARTA rightly deserves the many awards that it has received from the minority business trade associations and contractor groups for that effort.

Mr. Chairman, I am as fiscally conservative as any Member of Congress. I would never testify on behalf of a project that was not cost effective nor efficient.

In the case of MARTA, I have no problem. The system is a prototype of Federal-local-private partnership. If the system can receive at least \$113 million of Federal funding per year for the next 3 years then its north-south line can be completed.

I would urge your careful consideration in support of this request. Thank you for your time and attention.

Senator ANDREWS. Thank you, Senator, for an excellent statement. What percent of the cost of transportation in MARTA is met at the farebox? What percent of the cost of a bus ride or metro ride or whatever else is paid for by the consumer at the farebox?

Senator MATTINGLY. I am not certain of that. The fare is only about 60 cents.

Senator ANDREWS. But how much does it cost? Does it cost 40 cents? Does it cost 45 cents?

Senator MATTINGLY. 35 percent.

Senator ANDREWS. 35 percent is met at the farebox?

Senator MATTINGLY. Yes.

Senator ANDREWS. What percent of the cost is met by the Federal Government under your projection?

Senator MATTINGLY. 8 percent.

Senator ANDREWS. Thank you very much.

[The statement of Senator Mattingly and the report follow:]

STATEMENT OF SENATOR MATTINGLY

I APPRECIATE THE OPPORTUNITY TO TESTIFY BEFORE THE TRANSPORTATION SUBCOMMITTEE. I WILL HOLD MY REMARKS WITHIN THE FIVE (5) MINUTE TIME FRAME BUT WOULD LIKE TO SUBMIT FOR THE RECORD THIS REPORT, "AIRPORT TO DORAVILLE BY 1988."

MR. CHAIRMAN, ABOUT THIS TIME LAST YEAR I ALSO APPEARED BEFORE YOUR SUBCOMMITTEE TO TESTIFY ON BEHALF OF THE BEST COMPREHENSIVE BUS/RAIL MASS TRANSIT SYSTEM IN THE COUNTRY, THE METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY —MARTA. BECAUSE MARTA HAS DEMONSTRATED SUCH AN OUTSTANDING TRACK RECORD SINCE ITS INCEPTION, YOU AND THE OTHER MEMBERS OF THE SUBCOMMITTEE WERE GENEROUS IN YOUR FISCAL YEAR 1984 APPROPRIATIONS FOR MARTA. FOR THAT, I AND THE PEOPLE OF ATLANTA AND ALL OF GEORGIA AND THE SOUTHEAST ARE GRATEFUL. WITH YOUR CONTINUED SUPPORT, MARTA CAN COMPLETE ITS NORTH/SOUTH LINE BY 1988. THIS WOULD BE A TREMENDOUS ACCOMPLISHMENT.

ON APRIL 11, 1984 THE UMTA ADMINISTRATOR, RALPH STANLEY, TESTIFIED BEFORE THIS SUBCOMMITTEE AND DESCRIBED TO YOU THE SET OF CRITERIA WHICH UMTA WILL USE TO EVALUATE CONTENDING APPLICATIONS FOR SCARCE NEW START FUNDS. THE FACTORS THAT HE INDICATED THAT UMTA WILL CONSIDER ARE:

1. THE STRENGTH OF SUPPORT AT THE LOCAL LEVEL
2. ASSURANCE OF A STABLE AND RELIABLE SOURCE OF NON-FEDERAL FUNDS TO OPERATE AND MAINTAIN THE SYSTEM ONCE IT IS CONSTRUCTED.
3. COST-EFFECTIVENESS
4. ATTRACTION OF NEW PASSENGERS
5. TRAVEL TIME REDUCTIONS FOR EXISTING PASSENGERS.

MARTA FAR SURPASSES ALL OTHER MASS TRANSIT SYSTEMS IN THE COUNTRY ON ALL THESE EVALUATION CRITERIA. LET ME GIVE YOU SOME EXAMPLES HOW:

MARTA IS INVESTING ALMOST A HALF A BILLION DOLLARS OF LOCAL MONEY UNDER THE LETTER OF NO PREJUDICE MECHANISM IN ORDER TO CONSTRUCT A RAPID RAIL SYSTEM IN THE MOST COST-EFFECTIVE TIME FRAME AND TO AVOID THE RAPID ESCALATION OF CONSTRUCTION COSTS. MARTA CAN DO THIS BECAUSE IN 1971 THE PEOPLE IN THE ATLANTA AREA VOTED TO LEVY A 1 PERCENT SALES TAX TO BUILD AND OPERATE A RAPID RAIL SYSTEM AND TO PROVIDE COMPREHENSIVE MASS TRANSIT SERVICE TO METROPOLITAN ATLANTA.

MARTA HAS DEVELOPED AN ENERGETIC PLAN THAT IS A MODEL OF FEDERAL/LOCAL PARTNERSHIP. IT IS THE KIND OF PLAN THAT WE IN CONGRESS LIKE TO SEE. MARTA IS PAYING 100 PERCENT OF THE COST OF

THE 9 MILES OF RAIL NOW UNDER CONSTRUCTION. THIS WORK IS COVERED BY A LETTER OF NO PREJUDICE. MARTA IS CURRENTLY REQUESTING \$338 MILLION FROM UMTA OVER THE NEXT THREE YEARS TO COMPLETE THE NORTH/SOUTH LINE. IF THIS FUNDING IS APPROVED, THE FEDERAL SHARE OF THE 19 MILES UNDER CONSTRUCTION OR IN DESIGN WILL BE 39 PERCENT AND THE LOCAL SHARE 61 PERCENT. OF THE 16 MILES OF RAIL CURRENTLY IN SERVICE, THE FEDERAL SHARE HAS BEEN 70 PERCENT AND THE LOCAL SHARE 30 PERCENT. THERE IS NO DOUBT THAT THERE IS A STRONG COMMITMENT BY THE ATLANTA AREA TO SEE COMPLETION AND OPERATION OF ITS MASS TRANSIT SYSTEM.

I WOULD ALSO LIKE TO RAISE ANOTHER ISSUE THAT IS OF GREAT INTEREST TO CONGRESS AND TO US AS MEMBERS OF THE APPROPRIATIONS COMMITTEE. THAT ISSUE IS COST EFFECTIVENESS.

MARTA RANKS AS ONE OF THE MOST COST EFFECTIVE SYSTEMS THE COUNTRY. IN FACT, IN DECEMBER WHEN MARTA OPENS NINE ADDITIONAL MILES OF TRACK AND FIVE STATIONS, RIDERSHIP ON THE RAIL WILL INCREASE FROM 130,000 PER DAY TO 190,000 PER DAY. IN 1988, WHEN THE ENTIRE NORTH/SOUTH LINE IS COMPLETED, IT WILL CONNECT THREE OF THE LARGEST CONCENTRATIONS OF EMPLOYMENT IN METROPOLITAN ATLANTA. THE TOTAL NUMBER OF JOBS IN THESE THREE AREAS, THE ATLANTA AIRPORT, THE CENTRAL BUSINESS DISTRICT AND THE

NORTHEAST QUADRANT, IS 275,000. WHEN THE NORTH/SOUTH LINE IS COMPLETED 250,000 PEOPLE WILL USE THE RAIL SYSTEM EACH DAY. THIS IS A TREMENDOUS ACCOMPLISHMENT AND A TESTIMONY TO COST EFFECTIVENESS.

WHILE I COULD SPEND A CONSIDERABLE AMOUNT OF TIME TOUTING MARTA'S SUCCESSES, I WILL NOT. THE REPORT I AM SUBMITTING FOR THE RECORD WILL EMPHASIZE SOME MORE OF THEM. I WOULD, HOWEVER, LIKE TO MENTION ONE FINAL SUCCESS THAT DESERVES SPECIAL MENTION — MINORITY BUSINESS PARTICIPATION. OF THE CONTRACTS THAT MARTA HAS AWARDED SO FAR, MINORITY BUSINESSES HAVE RECEIVED MORE THAN 20 PERCENT — FEMALE BUSINESSES MORE THAN 5 PERCENT. MARTA RIGHTLY DESERVES THE MANY AWARDS THAT IT HAS RECEIVED FROM MINORITY BUSINESS TRADE ASSOCIATIONS AND CONTRACTOR GROUPS FOR ITS EFFORTS.

MR. CHAIRMAN, I AM AS FISCALLY CONSERVATIVE AS ANY MEMBER OF CONGRESS. I WOULD NEVER TESTIFY ON BEHALF OF A PROJECT THAT WAS NOT COST EFFECTIVE NOR EFFICIENT. IN THE CASE OF MARTA, I HAVE NO PROBLEM. THE SYSTEM IS A PROTOTYPE OF FEDERAL/LOCAL/PRIVATE PARTNERSHIP. IF THE SYSTEM CAN RECEIVE AT LEAST \$113 MILLION OF FEDERAL FUNDING PER YEAR FOR THE NEXT THREE YEARS, THEN ITS NORTH/SOUTH LINE CAN BE COMPLETED. I URGE YOUR CAREFUL CONSIDERATION AND SUPPORT OF THIS REQUEST.

MARTA REPORT ON AIRPORT TO DORAVILLE BY 1988

SUMMARYGOAL

MARTA's goal is to complete the North-South Line from Doraville to the Hartsfield Atlanta International Airport in 1988 (Attachment 1), thus placing in service over 23 miles of high-speed rail transit in one of the most heavily travelled corridors in Metropolitan Atlanta. Completion of the North-South Line will link three of the major employment centers in this region - the North-Northeast Section with 157,000 jobs; the Central Business District with 95,000 jobs, and the Airport area with 30,000 jobs. Rail ridership will increase from the current 135,000 per day to an estimated 250,000 per day.

REQUIREMENT

MARTA currently expects to receive approximately \$114 million in federal funds in Fiscal Year 1984.

An additional federal commitment of \$338 million is required to meet the goal (Attachment 2). The commitment has to be made now, but can be paid over the next three years.

SOURCE OF FUNDS

Section 3 of the 1982 Surface Transportation Act provides approximately \$1.1 billion per year for the next three years in federal gas tax money to be spent by the Secretary of Transportation, at her discretion, on transit improvements such as MARTA (Attachment 3).

I. BACKGROUNDA. System Development

- The 53-mile MARTA Rail System is divided into five phases. Phases A and B1, consisting of 16 miles of track and 20 stations, are in service (see Attachment 4). The Urban Mass Transportation Administration (UMTA) contributed \$940 million or approximately 70% towards the cost of building these segments.

- Construction is proceeding on Phase B2 - Arts Center to Lenox and West End to Lakewood. This work is being accomplished under a Letter of No Prejudice (LONP) for \$437 million in federal funds. (A Letter of No Prejudice enables MARTA to proceed with construction using local funds without forfeiting eligibility for federal funds should they become available). MARTA has received UMTA grants totalling approximately \$47.5 million of FY 83 funds to liquidate a portion of the Phase B2 LONP.
- Construction is also under way on Phase C - Lenox to Doraville and Lakewood to the Airport.
 - * Stage I of the Airport Station was built in September 1980 as part of the new terminal at Hartsfield Atlanta International Airport. This construction was done under a Letter of No Prejudice in the amount of \$7.67 million in federal funds.
 - * The Brookhaven segment, including the station, is being built with local funds without a Letter of No Prejudice. This segment will open in December 1984 along with the Lenox and Lakewood segments.
 - * Also, in Phase C the Authority is proceeding with design, land acquisition, utility relocation and construction between Lakewood and East Point without any federal involvement.
 - * Completion of the 12-mile, 6-station Phase C segment is essential to achieve the maximum benefit from the other segments of the system.

B. Cost-Effectiveness

- Phases B2 and C will add the most cost-effective segments to the MARTA Rail System. This assessment is based on results of a comparative analysis of system extensions beyond Phase A. The analysis considered factors such as patronage, capital and operating costs, cost per new rider, overall travel utility, and other factors such as development impact and service to transit-dependent populations and employment locations.

1. Ridership

- Daily ridership on the existing rail system is approximately 135,000. When the Lakewood to Brookhaven segment opens in late 1984, ridership is expected to reach 190,000 per day. When the Doraville to Airport segment is completed, rail ridership will approach 250,000 daily passengers.
- MARTA's rail ridership compares favorably with other rapid transit systems, considering the size of the system.

2. Operating Cost

- With the opening of Phase B1 during the latter part of 1982, MARTA has already reached the point where it is significantly cheaper to transport a passenger by rail than by bus - 55¢ vs. 86¢. As the North-South Line is extended, productivity increases will be even more pronounced.

3. Travel Time

- With the opening of Phase B2 in December 1984, significant additional travel time benefits will accrue to MARTA customers, many of whom will be new to transit. The travel time from Lakewood to Five Points will be eight minutes, compared to twenty minutes or more by bus. A trip from Oakland City to Lenox Square will take 19 minutes; the comparable bus trip takes at least 55 minutes, plus waiting time for a downtown transfer. Overall travel time savings will average 10-15 minutes. Travel time by auto is not much faster than by bus, so many persons will shift their trip-making to transit.

4. Phase C Extensions

- The extension to the Airport will be the most cost-effective segment of the system. It is anchored on the south by the Hartsfield Atlanta International Airport, the largest and second busiest airport in the world. The airport currently serves 40 million

passengers per year. This figure is projected to increase to approximately 110 million by the year 2000.

- The Airport Station will provide the best downtown-to-airport connection of any American city and will link the two largest concentrations of employment in the Atlanta area: The Atlanta Central Business District, which contains approximately 95,000 workers, and the airport area where almost 30,000 workers are employed.
- On the north, Phase C is anchored by the Doraville Station which is located in one of the fastest growing sectors in the Atlanta area. The North-Northeast Sector, which includes Doraville, experienced a net employment growth of 80,000 workers between 1970 and 1980. This represented approximately 30% of the region's employment growth. The adjacent sector (East-Northeast), which the North Line will also serve, accounted for about 21% of the employment growth during this period.
- It is critical that efficient transit service be available to shape the rapid growth which is occurring in the Phase C corridors.

C. Alternatives Analysis/Environmental Impact Statement

- MARTA complied with all federal requirements for alternatives analysis during the planning of the approved 53-mile Referendum System. Extensive transit alternative analysis studies were conducted from 1967 to 1971. Alternative transit systems evaluated included the following:
 1. Basic all-rail system - an extensive heavy rail system with an assumed complementary bus system.
 2. Original rail system - an extensive heavy rail system with significantly different alignment and service characteristics.
 3. Extended all-bus system - a system of exclusive busways with coordinated surface bus operations.
 4. All-busway system - a system of exclusive busways with coordinated surface bus operations.
 5. Busway--rail system - a system of north/south rail service with feeder busways.

6. Busways-distributor system - a system of extensive busways with a downtown rail distributor.
 7. Modified busway/rail system - a system combining features from 5 and 6 above.
 8. Commuter railroad system - a system using the extensive rail network in place in Atlanta.
 9. No-build system.
- Based on results from these studies, MARTA prepared its final transit plan which was approved by the voters in 1971.
 - The analysis of alternatives was fully documented in the report "MARTA Comprehensive Transit Improvements Program - Summary Response to UMTA Guidelines for Capital Grant Project Selection" dated September 6, 1972. More significantly, the adopted plan was addressed in greater detail in the approved Environmental Impact Statement (EIS) prepared by UMTA in 1973. In 1975, the adequacy of the EIS's alternatives analysis was confirmed in the United States District Court for the Northern District of Georgia (Inman Park Restoration, Inc., et al versus The Urban Mass Transportation Administration, et al, Civil Action Nos. C 75-717A, C 75-928F and C 75-1306A, in the United States District Court for the Northern District of Georgia, Atlanta Division, November 7, 1975).

D. Local Financial Commitment

- In 1971 when the voters approved the 1% MARTA tax, a comprehensive public transportation improvement program was also approved, including short-range improvements for the bus system, as well as the construction of 53 miles of rapid rail lines and 40 stations and 8 miles of exclusive busways. Approximately 50% of the sales tax revenue is used for MARTA's capital programs, while the other 30%, along with operating revenues, is used to provide a stable and dependable funding source for MARTA's operations program.
- Since 1972, MARTA has utilized its local sales tax to provide much of the funding for construction of the rail

system. Further, MARTA is willing to increase the amount of local funding participation from 25% to over 60% for the segments of the North-South Line currently under construction or in design (Phases B2 and C).

E. Governmental and Community Support

- Local

- * MARTA enjoys the support of local governmental and civic leaders, business leaders, the media and the general public.
- * An indication of the intensity of this support was exhibited during President Reagan's recent visit to Atlanta at which time the President of the Atlanta Chamber of Commerce singled out the completion of the MARTA System as the most critical local need.

- State

- * The Georgia General Assembly continues to pass legislation to assist MARTA in cost-control measures and in financing the rail construction program. The Georgia Assembly in 1979 extended the MARTA sales tax from 1982 to 1997. Again in 1983 the Georgia General Assembly extended the sales tax to 2012.
- * The State Department of Transportation and MARTA cooperate and share expenses when highway and transit projects interface in the same corridor.

- Congressional Support

- * There continues to be strong bi-partisan support for the MARTA project in the Georgia Congressional Delegation.

- U. S. DOT/UMTA

- * MARTA was UMTA's first "new start" and full funding rail project.
- * UMTA has committed itself to ensuring that MARTA's implementation proceed as promptly as possible.
- * In January 1983 former Secretary Lewis reaffirmed

DOT and UMTA's commitment to the continued funding of the rail development program.

- * Secretary Dole has reaffirmed DOT's commitment to MARTA on numerous occasions, the most recent during President Reagan and Secretary Dole's visit to Atlanta in January 1984.

F. Private Sector Support

- Private sector support for MARTA's transit programs has focused primarily on three areas - (1) public/private joint financing of feasibility studies aimed at producing action plans for revitalizing and strengthening areas surrounding transit stations, (2) coordination and cost-sharing of joint development projects such as the construction of the 1.9 million square foot Southern Bell Telephone Company headquarters building in the North Avenue Station air rights (the station and the office building, along with an adjacent retail mall, were built simultaneously on a site that was acquired jointly), and (3) leasing of station area property rights to generate income for transit. Regarding the third category, MARTA has executed two major long-term lease transactions at the Arts Center and Lenox Stations in which MARTA will receive \$50,000 annually for the first three years and a minimum of approximately \$500,000 annually thereafter for each transaction.

G. Participation of Disadvantaged and Minority Businesses

- Minority firms and female firms have received more than \$193 million in total contracts from MARTA. This amounts to 20% minority and 5% female participation.

H. MARTA's Track Record

- MARTA works! It has an excellent track record in achieving goals and objectives which have been established by the U. S. Department of Transportation and the Urban Mass Transportation Administration:

- Increase transit's share of total trips in order to satisfy mobility needs and reduce fuel consumption and air pollution:
 - * 20,000 daily trips have been diverted from auto to rail in the East-West Corridor alone.
 - * East-West Corridor auto volumes have decreased as much as 10% and auto speeds have increased on I-20 East and West.
- Provide accessible transit service for the "transit-dependent":
 - * 63% of the trips on MARTA are made by passengers who do not have an automobile available.
 - * MARTA service is available to all major employment centers, health, recreation and educational facilities, and efforts are under way to improve that service.
 - * MARTA provides extensive service for "reverse-commuters" - the North Line carries heavier volumes away from downtown in the morning rush hour than towards downtown.
- Contribute to urban revitalization and stimulate employment:
 - * Since 1975, one of the largest shares of metro area office growth has occurred in downtown Atlanta which is well served by rail transit.
 - * Property values along rail lines have increased faster than the average for the region.
 - * A number of major development projects have been recently built in conjunction with the MARTA System, and plans are under way for several other projects:
 - Georgia-Pacific chose the Peachtree Center Station as the site of their headquarters when they moved to Atlanta.
 - Southern Bell built its new headquarters as a joint development project at the North Avenue Station.
 - The State of Georgia built two new office build-

ings on top of the Georgia State Station.

-AT&T built its regional headquarters across from the Arts Center Station.

-Two new office buildings have been built near the suburban Decatur Station.

-Two major projects are planned for the new Lenox Station.

- * MARTA employs almost 2,700 people full time and MARTA contractors employ another 800 workers every week in the rail construction program. Thousands of other workers are employed supplying materials and services for the rail construction program on which MARTA will spend \$300 million this year.
- * The multiplier effect of the rail construction dollar is 3.5 times the direct investment which means that the \$1.7 billion spent for rail development programs has contributed almost \$6 billion to the region's economy.

II. FUNDING REQUIRED TO MEET GOAL

A. Funding Requirements

- \$956 million is needed to complete the Airport to Doraville segment in 1988.
- MARTA currently expects to receive approximately \$114 million of this amount in Fiscal Year 1984 from funds already earmarked and from the 1982 Transportation Act funds which will be distributed on a formula basis.
- An additional \$338 million in federal funds are needed to achieve the goal of Airport to Doraville in 1988.

B. Availability of Federal Funds

- Section 3 Discretionary Grant Program

In addition to funds which will be distributed on a formula basis, the Transportation Act of 1982 authorizes \$1.1 billion for FY 1985 and FY 1986 to be distributed

at the discretion of the Secretary. It appears reasonable to assume that \$1.1 billion of Section 3 funds will be available annually between now and 1987. MARTA's requirement of \$113 million per year would represent approximately 10% of the discretionary allocation.

- Additional federal aid is critical to the construction of the MARTA North-South Line. Sales tax proceeds without supplementary federal funds would delay the construction of the Airport and Doraville segments until the year 2000.

REVENUE SERVICE DATES

<u>STATION</u>	<u>LOCAL FUND</u>	<u>GOAL</u>
Brookhaven— Lakewood	1984	1984
East Point	1986	1986
Chamblee	1989	1987
College Park	1991	1987
Airport	1998	1988
Doraville	2000	1988

AIRPORT TO DORAVILLE BY 1988 FUND ANALYSIS

\$956 M	Cost To Complete
<u>-504 M</u>	Local Funding

452 M	Required Federal Funding
<u>-114 M</u>	Anticipated Funds Through FY84

\$338 M	Additional Federal Funds Required
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**SECRETARY
OF TRANSPORTATION'S
DISCRETIONARY FUNDS**Section 3

\$1.25 billion

FY 1984

\$1.1 billion

FY 1985

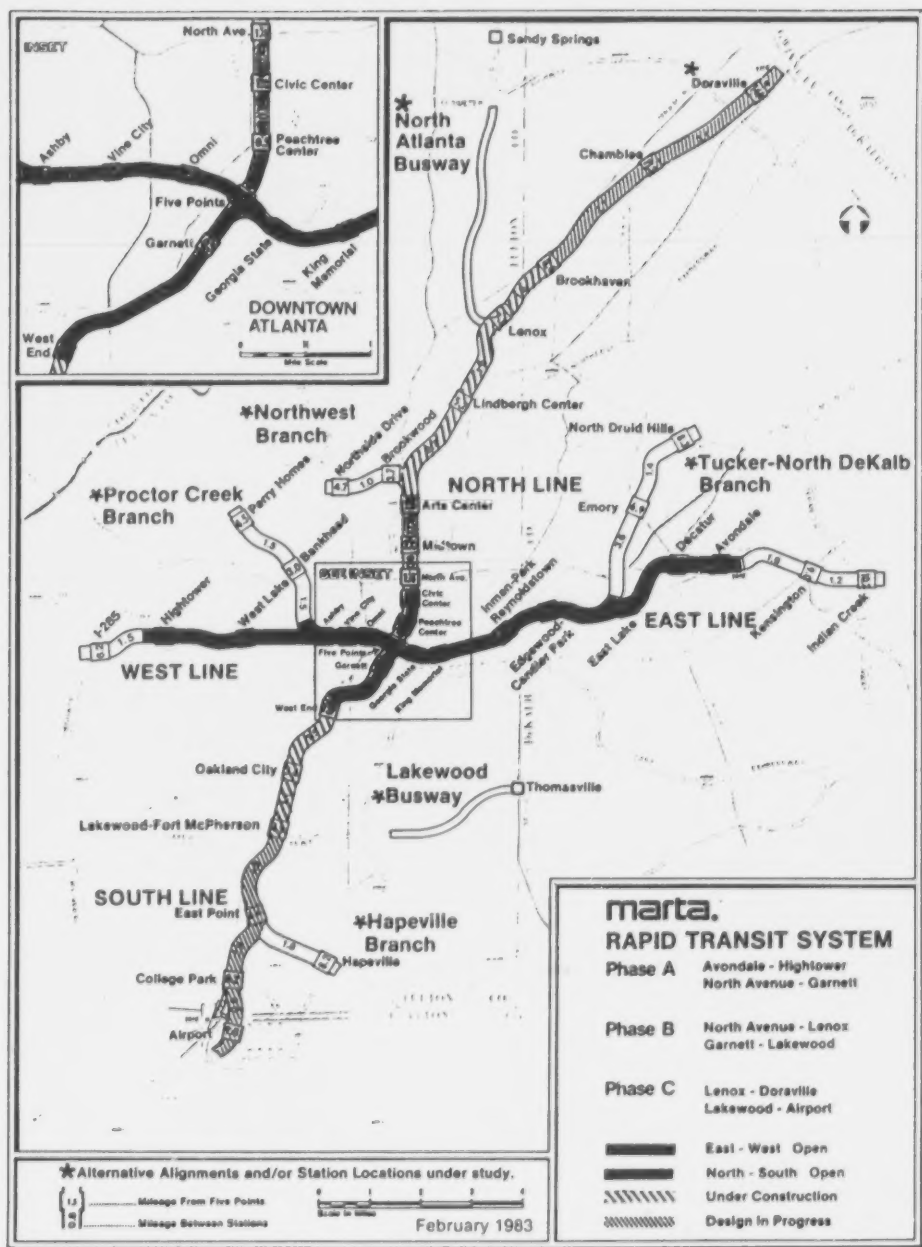
\$1.1 billion

FY 1986

-

FY 1987

Attachment 4



ILLINOIS DELEGATION

STATEMENT OF HON. ALAN J. DIXON, U.S. SENATOR FROM ILLINOIS

ACCOMPANIED BY:

JOHN D. KRAMER, CHAIRMAN OF THE RAILWAY TRANSIT AUTHORITY
AND SECRETARY OF THE ILLINOIS DEPARTMENT OF
TRANSPORTATION

MICHAEL CARDILLI, CHAIRMAN OF THE CHICAGO TRANSIT
AUTHORITY

BERNARD FORD, EXECUTIVE DIRECTOR OF THE CHICAGO TRANSIT
AUTHORITY

JEROME BUTLER, COMMISSIONER OF THE CHICAGO DEPARTMENT OF
PUBLIC WORKS

Senator ANDREWS. Senator Wilson, do you want to go ahead of the time Senator Cranston comes or do you want to wait? Senator Dixon is here and his group was scheduled to be next.

Senator WILSON. I am informed Senator Cranston has just arrived.

Senator ANDREWS. The Illinois group is scheduled ahead of the California group. If it is all right with you, Senator Dixon can make a short statement and then your group can come up, Senator Wilson. Then we will ask Senator Dixon's Illinois group to come up.

Senator WILSON. All right.

Senator ANDREWS. Senator Dixon, good to have you here.

Senator DIXON. Thank you, very much, Mr. Chairman. I am very pleased to be here this morning on behalf of myself and Senator Percy, the distinguished Senator from our State, to introduce a number of distinguished Illinoisans including Michael Cardilli, chairman of the Chicago Transit Authority; Bernard Ford, executive director of the Chicago Transit Authority; Jerome Butler, commissioner of the Chicago Department of Public Works; and John Kramer, both the Illinois Secretary of Transportation and chairman of the Regional Transportation Authority in the Chicago metropolitan area, who had also planned to be here but a regional transportation authority board meeting made it impossible.

However, Mr. Chairman, I can say that he fully endorses and supports the testimony that will be offered by his colleagues here this morning. The joint testimony the Illinois witnesses will offer covers a number of issues of real importance to northeastern Illinois, including questions involving operating assistance, capital funding, allocation of transit discretionary capital funds and interstate transfer program funding.

I will not take the time of the committee, Mr. Chairman, to discuss these issues in detail. Let me simply say that Senator Percy and I strongly support the positions Chairman Cardilli, Commissioner Butler and Director Ford advocate.

Their requests are reasonable, are fully consistent with the Surface Transportation Act of 1982, and represent the minimum amount necessary to meet the transit needs of the region.

I hope the committee will take their comments to heart and report a bill which addresses the concerns of northeastern Illinois in a positive and effective manner.

Mr. Chairman, before I close, I would also like to commend to the committee the testimony of three witnesses who will be here later from the greater Belleville, Ill., metropolitan area, my hometown, although some from Missouri insist on referring to the region as the St. Louis metro area.

They are Vincent Schoemehl, mayor of St. Louis; my good friend Jerry Costello, chairman of the East-West Gateway Coordinating Council; and Les Sterman, also of the East-West Gateway Council.

They will be testifying on behalf of the light rail project that would operate on both the Missouri and Illinois sides of the Mississippi River; one of the most cost-effective projects of its type that I have ever examined.

I look forward, Mr. Chairman, to the time when this line reaches Belleville, Ill., which I am sure it will do very soon. And I thank the Chair for his very valuable time.

Senator ANDREWS. Do you know what percent of the cost is met at the farebox in your transportation system, Senator?

Senator DIXON. Almost 51 percent for the region, Mr. Chairman, and 52 percent for the CTA as I understand.

Senator ANDREWS. Thank you very much, Senator.

Senator DIXON. I thank the Chair.

[The statements of Senator Dixon and accompanying witnesses follow:]

STATEMENT OF SENATOR DIXON

MR. CHAIRMAN, AND MEMBERS OF THE SUBCOMMITTEE, I AM VERY PLEASED TO BE HERE THIS MORNING TO INTRODUCE A NUMBER OF DISTINGUISHED ILLINOISANS, INCLUDING MICHAEL CARDILLI, CHAIRMAN OF THE CHICAGO TRANSIT AUTHORITY, BERNARD FORD, EXECUTIVE DIRECTOR OF THE CHICAGO TRANSIT AUTHORITY AND JEROME BUTLER, COMMISSIONER OF THE CHICAGO DEPARTMENT OF PUBLIC WORKS. JOHN KRAMER, WHO IS BOTH THE ILLINOIS SECRETARY OF TRANSPORTATION AND CHAIRMAN OF THE REGIONAL TRANSPORTATION AUTHORITY IN THE CHICAGO METROPOLITAN AREA HAD ALSO PLANNED TO BE HERE BUT A REGIONAL TRANSPORTATION AUTHORITY BOARD MEETING MADE IT IMPOSSIBLE. HOWEVER, I CAN SAY THAT HE FULLY ENDORSES AND SUPPORTS THE TESTIMONY THAT WILL BE OFFERED THIS MORNING.

THE JOINT TESTIMONY THE ILLINOIS WITNESSES WILL OFFER COVERS A NUMBER OF ISSUES OF REAL IMPORTANCE TO NORTHEASTERN ILLINOIS, INCLUDING QUESTIONS INVOLVING OPERATING ASSISTANCE, CAPITAL FUNDING, ALLOCATION OF TRANSIT DISCRETIONARY CAPITAL FUNDS, AND INTERSTATE TRANSFER PROGRAM FUNDING. I WILL NOT TAKE THE TIME OF THE COMMITTEE TO DISCUSS THESE ISSUES IN DETAIL. LET ME SIMPLY SAY THAT I STRONGLY SUPPORT THE POSITIONS CHAIRMAN CARDILLI, COMMISSIONER BUTLER, AND DIRECTOR FORD ADVOCATE. THEIR REQUESTS ARE REASONABLE, ARE FULLY CONSISTENT WITH THE SURFACE TRANSPORTATION ACT OF 1982, AND REPRESENT THE MINIMUM

AMOUNT NECESSARY TO MEET THE TRANSIT NEEDS OF THE REGION. I HOPE THE COMMITTEE WILL TAKE THEIR COMMENTS TO HEART, AND REPORT A BILL WHICH ADDRESSES THE CONCERNS OF NORTHEASTERN ILLINOIS IN A POSITIVE AND EFFECTIVE MANNER.

BEFORE I CLOSE, I WOULD ALSO LIKE TO COMMEND TO THE COMMITTEE THE TESTIMONY OF THREE WITNESSES FROM THE GREATER BELLEVILLE METROPOLITAN AREA, MY HOMETOWN, ALTHOUGH SOME FROM MISSOURI INSIST ON REFERRING TO THE REGION AS THE ST. LOUIS METRO AREA. THEY ARE, VINCE SCHOEMEHL, MAYOR OF ST. LOUIS, JERRY COSTELLO, CHAIRMAN OF THE EAST-WEST GATEWAY COORDINATING COUNCIL, AND LES STERMAN, ALSO OF THE EAST-WEST GATEWAY COUNCIL.

THEY WILL BE TESTIFYING ON BEHALF OF A LIGHT RAIL PROJECT THAT WOULD OPERATE ON BOTH THE MISSOURI AND ILLINOIS SIDES OF THE MISSISSIPPI RIVER, ONE OF THE MOST COST-EFFECTIVE PROJECTS OF ITS TYPE I HAVE EXAMINED. I LOOK FORWARD TO THE TIME WHEN THE LINE REACHES BELLEVILLE, WHICH I AM SURE WILL BE VERY SOON.

JOINT STATEMENT OF JOHN D. KRAMER, MICHAEL CARDILLI, BERNARD FORD, AND
JEROME BUTLER

As representatives of the City of Chicago, the Regional Transportation Authority (RTA) and the Chicago Transit Authority (CTA), we want to express our appreciation for the opportunity to testify before the Transportation Subcommittee of the ~~House~~^{Senate} Committee on Appropriations on northeastern Illinois' public transportation needs and our concerns with regard to the Administration's FY 1985 proposed budget. The panel of witnesses before you includes John Kramer, Chairman of the RTA and Secretary of the Illinois Department of Transportation, Michael Cardilli, Chairman of the CTA, Bernard Ford, Executive Director of the CTA, Jerome Butler, Commissioner of the Chicago Department of Public Works and Lee Schwartz, Special Counsel to the Mayor of the City of Chicago. Our special thanks to ~~Congressman Lehman~~^{Senator Andrews}, Chairman of the Subcommittee, and to other members, for scheduling this hearing.

Public transportation throughout the nation as well as in the Chicago region owes a tremendous debt to Congress for the passage a little over a year ago of the Surface Transportation Assistance Act (STAA). This Act provided public transportation for the first time with a dedicated funding source from 1 cent of the increased federal gas tax. It also included a strong federal commitment for continuing operating assistance -- a carefully forged compromise which transit systems throughout the country can live with, count on and use as a basis for maintaining, strengthening and improving this essential element in the overall transportation system. The Act is a solid foundation that must be protected.

The Chicago area mass transit system serves the six-county region of Northeastern Illinois. It has a daily ridership of 2.3 million making it the second largest system in the nation. The regional umbrella agency is the RTA which provides funding and financial and planning oversight over all transit services in the region and is the operator of extensive commuter rail and suburban bus services. The CTA bus and rapid transit systems serve the City of Chicago and nearby suburbs. More than 72 percent of the weekday commuters to the Chicago central business district take mass transit, making it an

essential life support system for the Midwest's primary business and financial center.

A system of this magnitude is very much affected by the ultimate funding levels appropriated. Our primary concerns regarding the budget are directed toward the following:

- ° The proposal to cut operating assistance by 50 percent for the nation's largest and most transit dependent cities.
- ° The effective reduction in funding for Section 9 capital programs below that authorized in the STAA.
- ° The proposal to limit funding for Interstate Transfer Transit projects to only 64 percent of the authorized amount.

In addition to these budget issues, we also wish to discuss Chicago's and Illinois' position regarding the allocation of capital funds within the Section 3 discretionary program and the need for additional flexibility in the use of funds allocated to the Chicago region.

Operating Assistance

The Administration's budget proposes a significant reduction in Federal mass transit operating assistance, including a recommendation that funding levels for cities over 1,000,000 be cut in half. If implemented, this reduction would upset the hard-won financial stability recently achieved in northeastern Illinois after three years of financial crises.

Between 1980 and the beginning of 1984, due to a shortfall in anticipated local and Federal public funding, Chicago transit was forced to take several major steps to cut costs and increase revenues:

- ° In 1981, the region raised fares by more than 50 percent overall. The commuter railroads imposed a 100 percent increase. Chicago at that time had the highest fares in the country. The region continues to have one of the highest schedules of fares and farebox to expense ratios (above 50 percent) in the nation.

- ° In 1981 and 1982, service at CTA, which carries 88 percent of the region's ridership, was cut by 8 percent. Service on the rest of the RTA system was reduced by 4 percent.
- ° Between 1980 and 1984, the Chicago mass transit labor force bore the brunt of economizing measures through layoffs and contractual renegotiations. CTA staff levels have been reduced by 9 percent or 1,200 employees. Commuter rail and suburban bus employment has been cut by 13 percent or 632 employees. CTA labor unions ratified new labor agreements which saved the CTA approximately \$230 million. Recently, CTA employees ratified an agreement which will save the CTA an additional \$48 million in 1984.
- ° In 1981, a major part of the suburban bus system was shut down and, when started up again, operated at significantly reduced service levels through 1982.
- ° To meet its funding obligations, the RTA was forced to borrow \$175 million in working cash.
- ° To keep the CTA from a shutdown, the City of Chicago in 1981 granted the Authority \$20 million.

These actions represented a joint effort and significant sacrifices on the part of management, labor unions, local governments and Chicago mass transit riders to maintain transit service at minimum levels. However, the service reductions and fare increases, coupled with the economic recession, caused a severe drop in ridership -- 28 percent on commuter rail, 23 percent on suburban bus and 12 percent on the CTA. It became too expensive for many workers to commute by transit to their jobs. A number were forced to find work closer to home and were thus permanently lost as riders on the transit system. Others were forced back to their automobiles, thereby adding to highway congestion and environmental pollution. The service cuts and fare increases especially impacted the Chicago central business district by making it less accessible to both workers and shoppers.

At the end of 1983, after three years of attempting to achieve a permanent

financial solution, the State provided the region with an annual operating subsidy of approximately \$75 million in addition to approximately \$50 million per year in capital assistance. This funding initiative came at a time when the State was faced with its own fiscal problems and was forced to significantly increase taxes to balance its budget. It evidenced a substantial commitment by the State to ensure the continued viability of Chicago area transit operations.

The State subsidy along with continued belt tightening by management and employees of the system became the basis for the region's first sound transit financial plan in years. This financial plan should bring a measure of stability that will avoid future massive fare increases and service cuts. It should also halt the decline in ridership by bringing back passengers at a rate of 3 percent per year. Given transit's interdependence with economic activity, this financial plan is a vital link in fostering the area's economic growth. It is a plan, however, in which Federal operating assistance is an essential element.

The State legislature, in approving the needed tax increases to finance the transit subsidy for the six-county Chicago area, assumed that Federal operating assistance would remain constant. It is clear that if Federal funding is reduced, the State, which continues to face severe budget constraints, will be unable to cover the difference. Local funding sources have also been pushed to their limits. While we believe our current financial situation is a stable one, it is very tight and unable to accommodate any major Federal funding reductions beyond the 20 percent cut from the 1982 level which Congress adopted in the STAA.

In short, the proposal to cut an additional 50 percent from the already reduced levels could only undercut hard-won stability, discounting the substantial contribution made by riders, taxpayers, labor and management. A return to instability would undermine economic recovery not just in Chicago but throughout the Midwest.

The Administration believes a reduction of operating assistance will make transit systems more efficient and cost effective. Given the economies, fare

increases and increased State and local funding commitments that have been made over the past few years, it is apparent that Chicago does not lack any motivation to be more efficient and cost effective. In fact, the region was recently mandated by State law to maintain a 50 percent fare revenue to expense ratio. Rather than motivating us to make additional efficiency improvements, reductions in operating assistance will significantly destabilize a financial balance that has taken years to achieve and force us to provide less than adequate service at a greater fare cost than the average rider can bear. We, therefore, urge Congress to maintain its essential commitment to transit operations by continuing the current level of Federal operating assistance.

Capital Funding

The proposed UMTA budget appears to increase capital assistance by approximately \$200 million above the FY 1984 appropriated amounts. However, this is achieved at the expense of operating assistance. The additional capital formula funds are provided by lowering the cap on operating assistance and shifting the freed up funds to the capital portion of Section 9. Assuming that operating assistance is not cut, capital assistance in 1985 will actually drop by \$125 million below the 1984 level. In fact, proposed Section 9 funding is \$560 million below the amount authorized in the STAA. Without full appropriation of the authorization, capital funding will fall significantly short of meeting the national capital funding need. Testimony by the American Public Transit Association has substantiated this point. However, even if the authorizations are fully appropriated, anticipated Federal capital assistance to northeastern Illinois coupled with local matching funds will still be significantly below the capital needs of the Chicago region and the other major urban centers of the nation with large existing transit systems.

The capital need of the Chicago metropolitan region is estimated at approximately \$375-\$400 million per year. Assuming the region is allocated its historic share of the Section 3 Discretionary Program and the authorizations are fully appropriated for Section 3 and Section 9, Chicago will receive approximately \$255 million in Federal capital funds or \$325 million when local matching funds are included, forcing a deferral of \$50-\$75 million in capital

expenditures. The Administration's budget will result in a further shortfall of \$50-\$60 million. Thus, the region will be forced to defer a total of between \$100-\$135 million per year in needed capital expenditures. A few deferral examples will illustrate the problem.

Continued lack of capital funding at CTA will slow down the rate of bus replacement in the nation's oldest large city bus fleet. The rate of replacing rapid transit cars, which were converted from streetcars in the 1950's, will be slowed to a point where a substantial number will still be in operation well beyond their economic life. The operating cost of maintaining these old bus and rail vehicles in safe operating condition will skyrocket. The replacement of bus garages, which are converted trolley car barns dating from the early 1900's will also be slowed. The poor condition of these facilities limits CTA's capacity to perform adequate vehicle maintenance in a cost efficient manner. Also, the lack of indoor vehicle storage at the anticipated garages requires an excess consumption of fuel to idle bus engines during the cold winter months.

The RTA commuter rail system is in need of extensive funding for the rehabilitation of bridges, many of which were constructed in the early part of this century. Any deferral of funding will result in a substantial increase in maintenance costs from limited operating funds and an increase in future capital costs. The renovation of 19th century commuter rail repair, servicing and storage yards throughout the system has been initiated, but will require large capital investments in the next several years to complete the work which has already begun. The replacement of overaged and deteriorated system components such as interlockers, right-of-way structures and electrical, communications and signal systems will also require significant capital funds if the rebuilding process needed to stabilize the existing system is to continue. These capital investment requirements illustrate just a few of the needs to be addressed in order to ensure a safe, efficient and reliable commuter rail system for our riders.

In summary, deferment of important capital expenditures not only makes it difficult to provide adequate service, but also drives upwards operating costs

necessary to maintain obsolete vehicles and facilities in safe operating condition. As the transit infrastructures of the nation's older urban centers continue to age, many systems including Chicago will be experiencing capital maintenance and rehabilitation requirements of unmanageable proportions.

Section 3 Allocation

The Administration's budget proposes full funding of the Section 3 discretionary program which is authorized at \$1.1 billion in 1985. However, the funding of the Section 9 formula program well below the authorized amounts has significantly increased competition for Section 3 funds and made the allocation of those funds a central issue.

Since 1979, the Section 3 program has been divided by appropriation legislation between three major categories: Rail Modernization, Bus Modernization and New Rail Starts and Extensions. As one of the eight "old" rail systems, the Chicago region has primarily benefited from the Rail Modernization allocation and only secondarily from the Bus Modernization allocation. Chicago has never received New Rail Start funding. The Chicago region's capital needs have been and will continue to be seriously underfunded. Approximately 62 percent of the need is for rail modernization projects. Therefore, any attempt to reduce the historic level of funding for Rail Modernization will be of grave concern to Chicago. Pressure for such a reduction is due to an increased demand for New Rail Start capital assistance.

Historically the New Rail Start allocation has been approximately 18.5 percent of the funds appropriated for the three major Section 3 categories. In 1984 that share jumped to 35 percent, while the share for Rail Modernization dropped from 54 percent to 48 percent. The increased share for New Rail Starts is being generated by extensive new rail development. A recent report issued by the American Association of State Highway and Transportation Officials indicates that 23 new fixed guideway or rail systems are either under construction or planned for development within the next ten to twelve years. Twelve of those systems received Section 3 funding earmarked in the 1984 transit appropriation legislation. Plans for extensive rail systems in

Los Angeles and Houston are of particularly great magnitude. The Los Angeles rail project alone could consume annually over \$300 million of Section 3 funding. That would represent over 75 percent of the current New Rail Start allocation of \$400 million. It seems obvious that as new rail system development progresses, Federal funding needs will far exceed the present Section 3 funding distributions.

Chicago, which has the second largest transit rail system in the country, is well aware of the significant transportation and economic benefits that a rail system can provide an urban area. We, therefore, recognize and support the interests of other urban areas to add a rail component to their current transit systems. However, the construction of new rail systems must be tempered by the limited availability of Federal funding.

The allocation of Section 3 funds must recognize not only the need for new rail systems, but also the unfunded maintenance and modernization needs of the old rail systems that have been serving our urban centers for almost one century. These systems serve 70 percent of the nation's total ridership. As Ralph Stanley, UMTA Administrator, recently stated, "we have a responsibility to maintain (existing) rail systems where significant capital investments have been made. I want a 'hold harmless' funding (policy) to arrest the deterioration and meet the maintenance needs of older systems." Those needs will become readily apparent when UMTA completes, this year, its congressionally mandated rail modernization study. This study will be the first comprehensive and objective third party review of the deteriorating condition of existing rail transit operations.

Chicago has encouraged the transit industry through the American Public Transit Association (APTA) to resolve the Section 3 allocation issue by adopting an allocation policy which it is recommending to Congress. The APTA recommended Section 3 allocation for FY1985 is as follows: Rail Modernization, 43 percent; New Start Projects, 38 percent; Bus Needs, 10 percent; and uncommitted funds, 9 percent. Chicago participated in the industry deliberations and fully supports its recommendations.

One alternative to alleviating the growing demand for Section 3 funds is for Congress to increase the Section 3 funding authorization to match the revenues collected from the 1 cent gas tax. Section 3 is authorized at \$1.1 billion but its gas tax funding source is generating \$1.4 - 1.5 billion in the Mass Transit Account of the Highway Trust Fund. It seems very logical that monies dedicated to mass transit should be fully utilized for that purpose. We fully support an increased authorization and a subsequent full appropriation. Such action would represent a significant step towards achieving the investment needed to maintain our nation's economically vital transit infrastructure.

Interstate Transfer

Chicago is also seriously concerned about the Administration's proposed funding reduction for the Interstate Transfer Transit program which is 15 percent below last year's appropriated amount and 36 percent below the authorized level. We recently conducted a survey of recipients of Interstate Transfer Transit funding to determine their funding needs for FY1985. The results of our survey are contained in Appendix 1 of this testimony. To fully fund that need (\$335 million), \$85 million more than the Administration request of \$250 million must be appropriated.

The Administration based its recommendation on the rationale that \$250 million per year will allow the completion of the Interstate Transfer Transit program simultaneously with the Interstate program. Such a rationale ignores the funding needed by recipients to complete their transit projects within the static amounts owed to them by the federal government. Delays in funding allocations will delay project implementation and increase project costs. Future appropriations must be based on a needs assessment to assure an adequate flow of money to complete the transit projects within their programmed funding levels. The effect of the lower funding proposed by the Administration can be represented by the impact it will have on Chicago.

When the City of Chicago and the State of Illinois reached their Interstate Transfer agreement in 1979 by de-designating the Crosstown Expressway, the event was considered to be a milestone in the region's transportation history. Rather than being committed to construction of the Crosstown Expressway, the

City and State were able to develop a unique strategy to enhance the transportation infrastructure of northeastern Illinois. This was particularly important to the City's public transit system and its riders. Through a region wide planning process, guiding principles were selected which held that the Interstate Transfer program funds were to be reserved for the most cost effective system improvements which met four major goals:

- increasing system capacity and quality of service
- increasing operating efficiency
- upgrading critically deficient system elements
- completing missing links in the transit system

A comprehensive package of projects was developed to fulfill these goals. The projects ranged from winterization of the CTA system and purchase of high-capacity articulated buses to the exciting opportunity to renovate our historic loop elevated line and construct a new transit line into the Southwest corridor, the only major section of the City which still lacks rapid transit service.

One of the most significant aspects of the Interstate Transfer program as initially formulated was its capacity to escalate with the cost of construction index so that the originally envisioned project scopes could remain viable. With the passage of the STAA, however, the escalation factor was removed and a fixed cost ceiling was established. The impact of this change upon the transit program was immediate and significant. In order to assure completion of Interstate Transfer Transit projects within the allotted amounts (\$609 million for the City/CTA and \$67 million for the State of Illinois/RTA suburban region), the regional agencies have had to severely rescope and even eliminate projects from the program. Over \$224 million worth of projects (in federal dollars) had to be cut from the program with consequent sacrifice of many needed improvements such as rehabilitation of commuter railroad bridges, construction of pedestrian ways and new transit facilities in downtown Chicago, increased security at transit stations, and minimal improvements to our antiquated subway system.

The key projects which remain have been pared down to a "lean and mean" level of efficiency, yet even their successful completion depends heavily upon sufficient funds being available at the proper time.

The availability of Interstate Transfer Transit funds sufficient to continue our transit projects is truly a critical issue. In the preceeding five fiscal years, FY's 1979-1983, transit funding only averaged \$35.9 million per year. In 1984, the available Federal funds reached \$98 million. Beginning in 1985, in order to stay on schedule, approximately \$150 million per year will be required as major projects such as the Southwest Transit Corridor, Loop Elevated rehabilitation and Howard/Dan Ryan route improvements are all placed under construction. With large projects of these types, the timely availability of funds is particularly important as even small schedule slippages can result in major cost increases due to escalation.

The largest component of the region's Interstate Transfer Transit program is the extension of the CTA rapid transit system through Chicago's Southwest Corridor. Bus ridership in this currently bus-only corridor is higher than any bus-only corridor in North America. Bus movement on congested corridor streets during the peak hours is very slow and contributes to the vehicle congestion within the central business district.

When in operation, the new rail line will serve 119,000 passengers per day which is comparable to the ridership of other CTA rail corridors and heavily used rail lines in other areas. It is also expected that 28,000 people will be diverted from their automobiles to the new rail service. Only 15 businesses and three dwellings would be displaced by the project. Given its projected cost \$53.3 million per mile, and projected ridership level, the Southwest rapid transit line is one of the most cost effective heavy rail projects in the nation. Its cost effectiveness and ability to be completed with available Interstate Transfer money will be jeopardized, however, if Federal funds are not allocated to Chicago in a timely fashion.

The Administration's proposed FY 1985 budget calls for a national appropriation of only \$250 million for Interstate Transfer Transit funding. This is not only dramatically under the \$390 million cap permitted by the STAA but is

even lower than the \$295 million which was appropriated for 1984. The issue of lower appropriations is complicated by an effective reduction in the transit formula entitlement for Chicago which has been diluted from what would have been a 55.585 percent share to a current 46.2 percent share as a result of additional Interstate withdrawals made during the past year. The resultant reduction in transit funds for Chicago at exactly the moment when increased levels are most critically needed, could be crippling to the ability of Chicago to complete even its reduced level concept program. We believe that it is vitally important that Congress both authorize and appropriate a maximum level of Interstate Transfer Transit funding in FY 1985.

Conclusion

Public transportation in northeastern Illinois has made a turnaround. It has achieved financial stability and is slowly gaining in ridership. Substantial financial commitments made last year by the State, regional transit agencies and the City of Chicago have initiated a renaissance for transit which we are eager to sustain.

Federal funding for operations and capital projects will continue to be an essential part in this effort to preserve and strengthen the transit system in the six-county area, one of the major economic centers of the Midwest and which is pivotal to the nation's economic vitality. Federal funding, particularly in light of the State's and region's strong financial commitment, is a sound investment which will generate jobs and sustain our nation's economic recovery and growth.

Given the outlook on the federal deficit, these are difficult times for making funding decisions. We appreciate the pressures you are facing. Nevertheless, it is our hope that the federal government continues its commitment and partnership role in our effort to restore and improve this vital transportation mode. Once again, thank you for making this forum available to present our views.

FISCAL YEAR 1985 INTERSTATE TRANSFER TRANSIT FUNDING NEED AND ALTERNATIVE APPROPRIATION SENARIOS

The following are three tables representing alternative FY85 appropriation scenarios for the Interstate Transfer Transit (ITT) program. Included is a listing of the FY85 funding need by city. The need was determined through a telephone survey (see Appendix 1 Contact List) of all the recipients of ITT funds. For many of the cities, the need will vary by table. The cities with such variances have indicated that they will not need more than their formula allocation. Because all of these cities have such small formula shares, the effect of the variances on total need is minimal (a difference of only \$10 million between Table 1 and Table 3).

Table 1 represents the distribution of funds at the Administration's proposed FY85 funding level of \$250 million. This amount seems to fall short of meeting the total funding need by approximately \$76 million. The shortfall is actually worse when Table 1 is compared to Table 3.

Table 2 assumes an FY85 funding level equal to the FY84 appropriation. Under this scenario the shortfall from total need is approximately \$33 million.

Table 3 indicates that to meet the total funding need, \$335 million must be appropriated for FY85.

It is clear from the tables that the Administration's Budget proposal of \$250 million under-funds the ITT need by \$85 million, (compare Table 1 to Table 3). The Administration based its recommendation on the rationale that \$250 million per year will allow the completion of the ITT program simultaneously with the Interstate program. Such a rationale ignores the funding needed by ITT recipients to complete their transit projects within the static amounts owed to them by the Federal Government. Delays in funding allocations will delay project implementation and increase project costs. Future ITT appropriations must be based on a needs assessment to assure an adequate flow of money to complete the transit projects within their programmed funding levels.

TABLE 1

Administration Proposed FY85 Budget \$250 million (\$ millions)

	FY85 Funding Need	Discretionary Allocation	Formula Allocation
Chicago	\$150.00	\$ 88.23	\$ 61.77
Baltimore	33.00	5.89	27.11
Sacramento	30.00	26.01	3.99
Boston	40.00	33.70	6.30
Cleveland	20.00	15.41	4.59
San Francisco*	5.83		5.83
Memphis*	2.77		2.77
Waterloo	2.75	1.62	1.13
Duluth*	.40		.40
Washington, D.C.	4.50	3.89	.61
Albany*	.15		.15
New Jersey:			
Philadelphia*	.31		.31
NYC to Trenton*	.49		.49

TABLE 1--Continued

Administration Proposed FY85 Budget
\$250 million
(\$ millions)

	FY85 Funding Need	Discretionary Allocation	Formula Allocation
Indianapolis	\$ 2.60	\$ 2.22	\$.38
Fall River to Prov.*	.10		.10
New York City	5.50	4.86	.64
Rhode Island*	3.92		3.92
Hartford-New Britain	23.00	19.11	3.89
Killingly*	.04		.04
Portland, Ore.*	.57		.57
Total	\$325.93	\$200.94	\$125.00
Amount Available	250.00	125.00	125.00
Shortfall	\$ 75.93	\$ 75.94	\$ - 0 -

*City has not indicated an FY85 need greater than its formula allocation.

TABLE 2

FY84 Appropriated Amount
\$295 million
(\$ millions)

	FY85 Funding Need	Discretionary Allocation	Formula Allocation
Chicago	\$150.00	\$ 77.11	\$ 72.89
Baltimore	33.00	1.01	31.99
Sacramento	30.00	25.29	4.71
Boston	40.00	32.57	7.43
Cleveland	20.00	14.59	5.41
San Francisco*	6.88		6.88
Memphis*	3.27		3.27
Waterloo	2.75	1.41	1.34
Buloh*	.47		.47
Washington, D.C.	4.50	3.78	.72
Albany*	.17		.17
New Jersey:			
Philadelphia*	.37		.37
NYC to Trenton*	.58		.58
Indianapolis	2.60	2.15	.45
Fall River to Prov.*	.12		.12
New York City	5.50	4.74	.76
Rhode Island*	4.62		4.62
Hartford-New Britain	23.00	18.41	4.59
Killingly*	.04		.04
Portland, Ore.*	.67		.67
Total	\$328.54	\$181.06	\$147.48
Amount Available	295.00	147.50	147.50
Shortfall	\$ 33.54	\$ 33.56	\$ - 0 -

*City has not indicated an FY85 need greater than its formula allocation.

APPENDIX 1--Continued

Formula Apportionment Factors*

<u>Cities</u>	<u>Factors</u>
Indianapolis	0.307%
Fall River to Prov.	0.079
New York City	0.515
Rhode Island	3.134
Hartford-New Britain	3.112
Killingly	0.030
Portland, Ore.	0.455
	<u>100.00%</u>

*Source: DOT Estimated Federal Funds Required to Complete Substitute Transit Projects and Apportionment Factors for Distribution of 50% of 1985 and 1986 Fiscal year appropriations (2/17/84).

APPENDIX 2

Survey Contact List

Chicago	Dick Hankett (312) 744-7767
Baltimore	Gunther M. Cottfeld (301) 383-4526
Sacramento	Greg Miller/Greg Rosebloom (916) 321-2800
Boston	Mr. Scanlon (617) 722-5000
Cleveland	Taras Szmagala (216) 566-5096
San Francisco	Tom Bulger (202) 775-0079
Memphis	Janet Mencl (901) 278-7880
Waterloo	Pete Albrecht (319) 234-5713
Duluth	Mr. Swanson (218) 722-4426
Washington, D.C.	Tom Burke/Wallace Cohen (202) 727-5745 & 5918
Albany .	Mr. Riley (518) 482-1125
New Jersey	David Solow (201) 648-7300
Indianapolis	Swanson Young (317) 635-2100
MA. Fall River to Providence	Marybeth Mello/Don Sullivan (617) 494-2444
New York City	Mr. Keiser (212) 878-7228
Rhode Island	Ed Dwyer (203) 566-4954
Hartford-New Britain	Francis McMann (203) 522-2217
Killingly	Francis McMann (203) 522-2217
Portland	Lee Hames (503) 238-4923

CALIFORNIA DELEGATION

STATEMENT OF HON. PETE WILSON, U.S. SENATOR FROM CALIFORNIA
ACCOMPANIED BY:

JACKI BACHARACH, VICE CHAIRWOMAN, LOS ANGELES COUNTY
TRANSPORTATION COMMISSION

JOHN A. DYER, GENERAL MANAGER

RODNEY ROOD, VICE PRESIDENT AND ASSISTANT TO THE CHAIRMAN,
ATLANTIC RICHFIELD COMPANY

NIKOLAS PATSAOURAS, PRESIDENT, SOUTHERN CALIFORNIA RAPID
TRANSIT DISTRICT

Senator ANDREWS. We next have our colleagues; Senator Cranston and Senator Wilson on behalf of Southern California Rapid Transit District. It is good to have you here, gentlemen.

Who wishes to proceed first and do you wish to have Mr. Dyer, general manager of the Southern California Rapid Transit District come up?

Senator WILSON. Thank you, Mr. Chairman. My senior colleague has graciously allowed me to proceed because I have an obligation to be elsewhere at the same time.

We would appreciate the opportunity to introduce to you Mr. Nick Patsaouras, who is the chairman of the Southern California Rapid Transit District Board. And here representing the Greater Los Angeles Transportation Coalition, Mr. Rodney Rood; John Dyer, the general manager of the RTD is here with us as well.

Mr. Chairman, I am grateful for the opportunity. I think that the committee is well acquainted with the merits of the Los Angeles metro rail project so I will not repeat the factual statements that are well known to you.

I think that in recent congressional testimony, Ralph Stanley, the Administrator of the Urban Mass Transportation Administration has made clear that metro rail was rated as one of the three most cost-effective new start projects in the entire country.

The project also importantly enjoys very widespread community and political support. In 1980 the voters of Los Angeles County approved the construction of a 150-mile rapid transit system which this would be the central portion.

And in order to achieve that, the voters voted to place upon themselves a one-half cent sales tax as a countywide tax and metro rail is the central component of this eventual system.

The Los Angeles County Transportation Commission has programmed more than \$400 million of these sales tax funds to build metro rail.

The support locally is impressive, not only the Los Angeles City Council, the County Board of Supervisors, the California Transportation Commission, the Southern California Association of Governments and the Los Angeles County Transportation Commission have ranked the project as the highest priority transportation project in Los Angeles.

Again I think that the people most importantly have spoken and have indicated their commitment by voting to saddle themselves with this sales tax increase.

Last week, Gov. George Deukmejian reaffirmed his support of metro rail. He said, and I quote:

The metro rail project promises to improve mobility in Los Angeles, help relieve traffic congestion and to enhance economic development along its corridor. After a thorough review of the technical merits of the project, we also were impressed by the widespread support metro rail enjoys from local public officials and community and business leaders in Los Angeles.

Mr. Chairman, to summarize, this project meets all of the criteria set by the Urban Mass Transportation Administration and because the need and the cost-effectiveness of the project has been so clearly established, and because there is such strong local, political, and financial support for metro rail, for all these reasons I join with my colleague, Senator Cranston, and other distinguished Californians to request that the committee give favorable consideration to this funding request that is going to be presented to you this morning.

[The statements of Senator Wilson and accompanying witnesses follow:]

STATEMENT OF SENATOR WILSON

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I WELCOME THE OPPORTUNITY TO SPEAK TO YOU THIS MORNING ON THE LOS ANGELES METRO RAIL PROJECT. I AM AWARE OF THE NEED, AND SUPPORT THE GOAL, OF FUNDING ONLY THOSE PROJECTS WHICH ARE BOTH COST-EFFECTIVE AND HAVE A HIGH LEVEL OF LOCAL FINANCIAL SUPPORT. THE METRO RAIL PROJECT MEETS BOTH OF THESE CRITERIA.

IN RECENT CONGRESSIONAL TESTIMONY, URBAN MASS TRANSPORTATION ADMINISTRATOR RALPH STANLEY STATED THAT METRO RAIL WAS ONE OF THE THREE MOST COST-EFFECTIVE NEW START PROJECTS IN THE ENTIRE COUNTRY. IN A STUDY COMMISSIONED BY UMTA, THE REGIONAL PLAN ASSOCIATION CONCLUDED THAT METRO RAIL EASILY SURPASSED THE WIDELY ACCEPTED THRESHOLD FOR HEAVY RAIL DEVELOPMENT.

THE PROJECT ALSO ENJOYS WIDESPREAD COMMUNITY AND POLITICAL SUPPORT. IN 1980, THE VOTERS OF LOS ANGELES COUNTY APPROVED THE CONSTRUCTION OF A 150-MILE RAIL RAPID TRANSIT SYSTEM AND INCREASED THE COUNTY SALES TAX BY 1/2 PERCENT TO BUILD IT. METRO RAIL IS THE CENTRAL COMPONENT OF THIS EVENTUAL SYSTEM. THE LOS ANGELES COUNTY TRANSPORTATION COMMISSION HAS PROGRAMMED MORE THAN \$400 MILLION OF THESE SALES TAX FUNDS TO BUILD METRO RAIL.

THE LOS ANGELES CITY COUNCIL, THE LOS ANGELES COUNTY BOARD OF SUPERVISORS, THE CALIFORNIA TRANSPORTATION COMMISSION, THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS, AND THE LOS ANGELES COUNTY TRANSPORTATION COMMISSION HAVE RANKED THE METRO RAIL PROJECT AS THE HIGHEST PRIORITY TRANSPORTATION PROJECT IN LOS ANGELES.

LAST WEEK, GOVERNOR GEORGE DEUKMEJIAN REAFFIRMED HIS SUPPORT OF THE METRO RAIL PROJECT. HE SAID, AND I QUOTE "THE METRO RAIL PROJECT...PROMISES TO IMPROVE MOBILITY IN LOS ANGELES, HELP RELIEVE TRAFFIC CONGESTION, AND ENHANCE ECONOMIC DEVELOPMENT ALONG ITS CORRIDOR. AFTER A THOROUGH REVIEW OF THE TECHNICAL MERITS OF THE PROJECT, WE ALSO WERE IMPRESSED BY THE WIDESPREAD SUPPORT METRO RAIL ENJOYS FROM LOCAL PUBLIC OFFICIALS AND COMMUNITY AND BUSINESS LEADERS IN LOS ANGELES," END OF QUOTE.

IN SUMMARY, BECAUSE THIS PROJECT MEETS ALL OF THE CRITERIA SET BY UMTA; BECAUSE THE NEED AND COST-EFFECTIVENESS OF THE PROJECT HAS BEEN SO CLEARLY ESTABLISHED; AND BECAUSE THERE IS SUCH STRONG LOCAL POLITICAL AND FINANCIAL SUPPORT FOR METRO RAIL -- FOR ALL THESE REASONS -- I JOIN SENATOR CRANSTON AND OTHER DISTINGUISHED CALIFORNIANS AT THIS TIME IN REQUESTING THE COMMITTEE TO GIVE FAVORABLE CONSIDERATION TO THIS FUNDING REQUEST.

STATEMENT OF RODNEY W. ROOD

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM RODNEY W. ROOD, VICE PRESIDENT AND ASSISTANT TO THE CHAIRMAN OF THE ATLANTIC RICHFIELD COMPANY. I AM ALSO AN OFFICER OF THE GREATER LOS ANGELES TRANSPORTATION COALITION, A PARTNERSHIP OF PRIVATE BUSINESS, PUBLIC AGENCIES, LABOR, ELECTED OFFICIALS AND COMMUNITY REPRESENTATIVES. THE TRANSPORTATION COALITION IS COMMITTED TO ADDRESSING THE CRITICAL TRANSPORTATION NEEDS AND CHALLENGES FACING THE ENTIRE LOS ANGELES URBANIZED AREA. FUNDING OF THE METRO RAIL SYSTEM IS THE MOST IMPORTANT ISSUE ON THE COALITION'S AGENDA.

MY REMARKS THIS MORNING WILL FOCUS ON THE IMPORTANCE OF METRO RAIL FOR OUR AREA'S CONTINUED ECONOMIC GROWTH AND DEVELOPMENT AND, IN TURN, THE BENEFIT TO THE STATE AND NATIONAL INTERESTS OF A HEALTHY ECONOMIC CLIMATE IN THE LOS ANGELES REGION. TODAY, LOS ANGELES IS THE HEADQUARTERS CITY OF THE WESTERN UNITED STATES IN INTERNATIONAL TRADE, INDUSTRIAL PRODUCTIVITY, BANKING AND FINANCE, SPORTS AND CULTURAL ACTIVITIES, AND, YES, EVEN IN GOVERNMENT CONCENTRATION.

PRESIDENT REAGAN'S TRIP TO CHINA, AND THE RESULTING TRADE AGREEMENTS, UNDERSCORE THE IMPORTANCE OF THE PACIFIC BASIN TO OUR NATIONAL ECONOMY. ALREADY, OUR NATION'S TRADE WITH PACIFIC BASIN COUNTRIES HAS SURPASSED IN VOLUME OUR TRADE WITH ALL OF THE EUROPEAN COUNTRIES. ESCALATION OF TRADE WITH THE PACIFIC BASIN HAS HAD ITS STRONGEST IMPACT ON LOS ANGELES. CONTINUATION OF A HEALTHY ECONOMIC CLIMATE

NECESSITATES AN EFFECTIVE, WORKING INFRASTRUCTURE. WITHOUT ADDED TRANSIT CAPACITY IN LOS ANGELES, MOBILITY WILL DETERIORATE, RESULTING IN DECLINE OF THE AREA'S ECONOMIC HEALTH. I KNOW YOU ARE ALREADY FAMILIAR WITH THE FACTS AND FIGURES CONCERNING THE EXTENT OF GROWTH IN OUR AREA, BUT LET ME HIGHLIGHT A FEW STAGGERING STATISTICS. WITH NEARLY 10 MILLION PEOPLE, THE GREATER LOS ANGELES URBANIZED AREA IS MORE POPULOUS THAN 45 STATES IN THE NATION. INCREASES IN POPULATION AVERAGE ABOUT 190,000 RESIDENTS MORE PER YEAR. GROWTH OF THIS MAGNITUDE WILL PLACE EXTRAORDINARY DEMANDS ON AN ALREADY BURDENED TRANSIT NETWORK. RIGHT NOW, ABOUT ONE AND ONE-HALF MILLION PEOPLE RIDE ON PUBLIC TRANSPORTATION EVERY DAY. DURING THE PEAK HOURS FROM SIX O'CLOCK TO EIGHT O'CLOCK IN THE MORNING, MORE THAN 45% OF ALL TRIPS INTO THE CENTRAL BUSINESS DISTRICT ARE BY PUBLIC TRANSIT VEHICLES. MAINTENANCE OF THIS LEVEL OF TRANSIT RIDERSHIP IN THE MIDST OF THE TREMENDOUS COMMERCIAL AND RESIDENTIAL GROWTH ALREADY UNDERWAY IN THE DOWNTOWN AREA, WOULD REQUIRE THE ADDITION OF HUNDREDS OF BUSES TO ALREADY CONGESTED FREEWAYS AND LOCAL STREETS. WITHIN DOWNTOWN ALONE, AN ADDITIONAL 20 MILLION SQUARE FEET OF OFFICE SPACE IS SCHEDULED FOR COMPLETION BY 1990. FIRMS UTILIZING THIS SPACE ARE EXPECTED TO PROVIDE EMPLOYMENT FOR AN ADDITIONAL 120,000 PERSONS WHO MUST ENTER AND LEAVE THE AREA EACH DAY. THE CITY'S DEPARTMENT OF TRANSPORTATION ESTIMATES THAT TO MOVE THE EXPECTED PEOPLE IN AND OUT WOULD REQUIRE 25 NEW STREET LANES OR 8 NEW FREEWAY LANES, OR A GREATLY IMPROVED TRANSIT CAPACITY. WITHOUT CONSTRUCTION OF THE METRO RAIL TRANSIT SYSTEM, THE RESULTING

INCREASE OF CARS AND BUSES ON SURFACE STREETS WILL PARALYZE TRAFFIC FLOW BY GRIDLOCK.

SUCH PARALYSIS, AND THE RESULTING ECONOMIC DETERIORATION, WOULD BE HARMFUL TO THE STATE OF CALIFORNIA. NEARLY HALF THE ECONOMY OF THE STATE IS LOCATED WITHIN THE 60-MILE CIRCLE SURROUNDING LOS ANGELES, WHICH IS DESCRIBED IN THE REPORT WHICH WE HAVE DISTRIBUTED TO COMMITTEE MEMBERS. THIS "CIRCLE", WITH LESS THAN 5% OF THE LAND AREA OF THE STATE, ACCOUNTS FOR MORE THAN 45% OF ITS TOTAL POPULATION, NEARLY 47% OF TOTAL PERSONAL INCOME OF THE STATE'S RESIDENTS AND 59% OF MANUFACTURING EMPLOYMENT. OF THE LARGEST 100 INDUSTRIAL COMPANIES HEADQUARTERED IN CALIFORNIA, 63 HAVE THEIR HEADQUARTERS WITHIN THE 60-MILE CIRCLE.

THE ECONOMIC WELL-BEING, STRENGTH AND CAPACITY OF THE LOS ANGELES AREA IS ALSO OF NATIONAL AND INTERNATIONAL IMPORTANCE. WE HAVE THE LEADING PORT COMPLEX ON THE PACIFIC COAST CONSISTING OF THE LOS ANGELES AND LONG BEACH HARBORS. IN TOTAL VALUE OF INTERNATIONAL TRADE, LOS ANGELES RANKS SECOND ONLY TO NEW YORK CITY. LOS ANGELES IS THE HEADQUARTERS CITY OF THE PACIFIC BASIN; THIS BASIN CONTAINS ABOUT HALF THE WORLD'S POPULATION. THE TREMENDOUS GROWTH OF TRADE IN THIS REGION, AND THE CONCURRENT STIMULUS TO THE ECONOMIES OF THIS HEMISPHERE, IS EXCITING. LOS ANGELES IS IN THE MOST FAVORABLE POSITION TO PARTICIPATE IN THIS TREMENDOUS GROWTH AND DEVELOPMENT.

CLEARLY, LOS ANGELES MUST HAVE A COMPREHENSIVE RAIL SYSTEM TO MAINTAIN ITS POSITION AS THE LEADING FINANCIAL AND TRADE CENTER ON THE PACIFIC RIM. WE ARE THE ONLY MAJOR URBAN AREA IN THE WORLD WITHOUT A MULTI-MODAL TRANSPORTATION SYSTEM. LOS ANGELES' TRANSPORTATION SYSTEM IS TOTALLY DEPENDENT UPON HIGHWAY, FREEWAY AND SURFACE STREETS WHICH ARE OPERATING AT MAXIMUM CAPACITY TODAY. METRO RAIL WILL BE THE BACKBONE AND BEGINNING OF A BALANCED AND INTEGRATED TRANSPORTATION NETWORK.

IN CLOSING, WE FEEL THAT LOS ANGELES HAS BEEN SENSITIVE TO ADMINISTRATION AND CONGRESSIONAL POLICY DIRECTIONS ON TRANSIT DEVELOPMENT ISSUES. RESPONDING TO THESE POLICY DIRECTIONS, LOS ANGELES' METRO RAIL PROJECT IS CLEARLY A PUBLIC/PRIVATE PARTNERSHIP. FOR THE FIRST TIME IN AMERICA'S TRANSIT HISTORY, THE BUSINESS COMMUNITY IS CONTRIBUTING NEARLY \$200 MILLION TO THE COST OF THE PROJECT, THROUGH BENEFIT ASSESSMENT DISTRICTS.

TRADITIONALLY, THE FEDERAL GOVERNMENT HAS FUNDED 75%-80% OF THE CAPITAL COST OF CONSTRUCTING LOCAL MASS TRANSIT SYSTEMS. A LESSER FEDERAL SHARE IS NOW DESIRED AND ACCORDINGLY, LOS ANGELES HAS AGREED TO INCREASE OUR LOCAL SHARE TO AN UNPRECEDENTED 38%.

WE BELIEVE, AND TRANSPORTATION EXPERTS CONCUR, THAT METRO RAIL IS THE WORTHIER PROJECT IN THE COUNTRY. WE HAVE COMPLETED ALL OF OUR ENGINEERING AND DESIGN WORK TO THE SATISFACTION OF U.M.T.A. WE HAVE OUR

PRIVATE AND LOCAL FUNDING COMMITTED AND THE ONLY ACTION NOW NEEDED TO PROCEED WITH CONSTRUCTION OF OUR PROJECT IS TO SECURE A FEDERAL COMMITMENT AND FUNDING.

THE MAJOR SHIFT IN INTERNATIONAL TRADING FROM THE ATLANTIC OCEAN TO THE PACIFIC OCEAN HAS HAD, AND WILL CONTINUE TO HAVE, A TREMENDOUS IMPACT ON THE LOS ANGELES REGIONAL ECONOMY. WE MUST HAVE AN INFRASTRUCTURE SYSTEM WHICH CAN PROVIDE MOBILITY WITHIN AND ACCESS TO OUR INTERNATIONAL CITY.

THANK YOU.

STATEMENT OF HON. ALAN CRANSTON, U.S. SENATOR FROM CALIFORNIA

Senator ANDREWS. Senator Cranston?

Senator CRANSTON. Thank you Mr. Chairman.

Mr. Chairman, members of the committee, we thank you for this opportunity to testify on behalf of the Los Angeles metro rail project.

I commend you, the chairman of the committee, Senator Andrews, for your conscientious attention to Federal mass transit needs generally and for your specific consideration of the needs of our Nation's second largest and second most densely populated urbanized area, Los Angeles.

As Senator from California, I am acutely aware of the growing needs within my State for mass transit systems that are adequate to the tremendous economic and population growth that is occurring daily.

Nowhere is this more evident than in Los Angeles. For a city the size of Los Angeles, rail transit is not a luxury. It is a carefully chosen alternative to transportation paralysis.

No comparable urban area in the Western Hemisphere attempts to keep its population mobile without rail transit. The Los Angeles basin is at a saturation point with highways and cars and its expanded bus fleet compounding the problem.

We are talking about an area with a population that is greater than 41 of our States, an area with the second largest concentration of population in employment, business, and industry in the Nation.

We are talking about an area that accounts for almost one-half the economy of the State of California, over 45 percent of California population, 59 percent of its manufacturing employment, and 47 percent of the State's total personal income.

And we are talking about an area whose gross regional product is ex-

ceeded by the gross national product of one of only 13 nations in the world.

Yet this healthy vital region is losing its mobility. The transportation system in the LA basin approaches gridlock. At peak hour the Los Angeles freeways resemble parking lots.

On certain streets within the major corridors traffic is at a virtual standstill. Overcrowded buses must bypass waiting patrons.

The situation impinges on the economic vitality of this great city and, in turn, impinges on the economic potential of the entire country. The time has come to change this and the answer is metro rail.

The local commitment to metro rail is impressive and real. The California Transportation Commission has earmarked \$400 million for metro rail as part of the 5-year program and \$412 million will come from the Los Angeles County Transportation Commission.

LA county voters have twice voted to tax themselves for transit improvement in the LA basin. The one-half percent transit tax initiative has generated more than \$100 million a year for transit capital expenditures including metro rail.

What this means is that Los Angeles will be paying 38 percent of metro rail cost with moneys other than the Federal Section 3 Capital Grant Program. I find that commitment, Mr. Chairman, to be impressive and encouraging, especially coming from an area as politically complex and economically diverse as is Los Angeles.

Mr. Chairman, as evidence of the broad and bipartisan support for the project, not only are Senator Wilson and I united in backing metro rail but as he indicated because Governor Deukmejian supports it, joining us are representatives of the Los Angeles County Transportation Commission.

And the Greater Los Angeles Transportation Coalition, the Southern California Association of Governments, and the Community Redevelopment Agency of the city of LA are also submitting testimony.

I commend their statements to you. We are united in our view that the Los Angeles metro rail project is most worthy of the favorable consideration of this committee.

The metro rail project is key to the economic expansion and, indeed, the economic survival of the greater Los Angeles metropolitan area.

In the House, Congressman Glenn Anderson, Democrat, chairman of the relevant subcommittee is strongly supporting it as is Carlos Moorhead, Republican, a strong member of that subcommittee.

On our left is Mrs. Jacki Bacharach, who is vice chairwoman of the Los Angeles County Transportation Commission.

All of this support means a lot, not just to Los Angeles and to California but to a Nation in great need of economic expansion in every quarter.

We count on your support and we thank you for this opportunity.

Senator ANDREWS. Thank you very much, Senator. Could you provide the subcommittee with a percent of operating cost recovered from the farebox?

Senator CRANSTON. I believe it is going to be 75 percent, is it not?

Senator WILSON. For the rail project, 75 percent.

Senator ANDREWS. Senators, also we have a problem, as you know, with the budget restrictions. Money is pretty scarce.

If the package that is being debated on the floor of the Senate this moment passes it would be limited to \$400 million. We have, shall we say, 700 million dollars' worth of requests and rising, and we already have earmarked, I think, close to \$100 million, the staff tells me, that we don't have any discretion over any more, so that leaves us with \$300 million.

Would the two of you be able to shed some light on how we are going to get out from under that \$400 million ceiling which gives us only \$300 million to apply around the country given today's budget restraint?

Senator WILSON. Yes, sir, I will take a cut since the chairman has invited it. I think that two things have to be done, Mr. Chairman.

I would have to say that I think first the amount of money that the 1 cent allocated from the sales to the gasoline tax increase can develop, will come to \$1.5 billion. The House is acting on legislation by Congressman Anderson to increase the amount to \$1.5 billion.

Additionally his legislation is going to add a requirement which it seems to me is frankly long overdue and that is a requirement for local contribution of the kind which Atlanta and Los Angeles and some other communities are making but by no means all.

The other thing is I think realistically we are compelled to devise our own request and that has already taken place. Initially we were asking for \$336 million for this year for this project.

In testimony before a House committee, Mr. Mike Lewis indicated that we, recognizing that there simply is not the funding that we would like to see, has revised the request and it is a substantial modification but it is one that will permit work to go forward.

It will allow us to achieve the goals, and I think those two things in conjunction with increasing the total pot of money from \$1.1 to \$1.5 billion which would allow more than \$400 million to be allocated by the committee, before new rail starts, and a downward revision in our case to approximately \$100 million less than we were asking for would achieve the allocation that is required.

Senator ANDREWS. Senator, you mentioned Representative Anderson's bill, H.R. 5504. You are supporting that?

Senator CRANSTON. We unite in supporting that.

Senator ANDREWS. I appreciate that, Senator, but on section 203 subclause 2-J of that bill, and herein we come into a little problem, it says "in selecting projects for Federal financial assistance under this section, the Secretary shall not consider or give any weight to inclusion of or reference to any project or type of project in any type, in any report of any committee of Congress including but not limited to any conference report or any statement of any member of Congress."

If this legislation passes that you say you are supporting, Congress will be removed and this committee will be removed from any jurisdictional allocation and the allocation will go downtown to the non-elected bureaucrats where to the best of my knowledge they don't hold these kinds of public hearings.

And that is why it is confusing for those of us who sit on the committee to find out why our colleagues are supporting the removal of the, shall we say, allocation power from the people's branch to the bureaucrats downtown now.

I guess I have optimum high regard for those bureaucrats buried in the walls of the Department of Transportation, but I think California has done a whale of a lot better in the past depending on the committees of Congress and on the very great abilities of their congressional delegations.

So I can't help, Senator, but to point that out to you and ask you were you aware that that section was in the bill?

Senator WILSON. No; candidly I was not, but I would have to say that I think, Mr. Chairman, that the requirement for a local contribution is a salutary provision. I don't think that that is necessarily consistent.

Senator ANDREWS. That is one of the ground rules of this committee. And as a newly hatched Member of the Congress I happen to be the chairman, but I am fortunate to have on this committee Senators of such long experience as Senator Byrd, Senator Stennis, and, of course, any decision made by the committee is a committee decision.

And we think that those decisions made by the bipartisan membership to the Congress are far better than having them made by some bureaucrat downtown and, frankly, we are concerned in a bipartisan way.

Senator WILSON. Senator, I think the House is going to have to resolve that before that bill ever comes to the Senate. I don't think there is anything inconsistent with actually making a legal requirement of what this committee has wisely required and practiced which is substantial local contribution.

Senator ANDREWS. This committee has set up its ground rules similar to, as Senator Cranston knows so well, and from the years I spent in the House, cost-benefit ratios.

We have had it in all of our other western reclamation projects and a whole lot of other things so we can get a yardstick, so that we don't arbitrarily go to one State or the other. That is why we ask the question about farebox participation and California is one of the best.

And that is why California got the lion's share of the allocation, in the combined judgment of the members of this committee. But we are concerned, Senator, about the provision that says that the committees of Congress will have no allocation.

We think it is a rather major step and we are kind of surprised at it. I could not help bringing it up.

Senator CRANSTON. I would like to say that the principal aspect of that bill that Senator Wilson and I strongly support is the increase in the figure from \$1.1 to \$1.5 billion.

Senator ANDREWS. That is true. I thought that that was it. Senator D'Amato, a member of this subcommittee, of course, has introduced similar legislation but without giving up the power, shall we say, of the committees of Congress to do the allocation.

Senator CRANSTON. The second point that I would like to make in the consideration for this committee is that while it does appear that California is seeking perhaps an inordinate percentage share of the money presently to be allocated, we should take into account that this should be looked at not just as a 1-year effort but something spread over a good many years.

And Los Angeles in the past has had nothing, and California in the past has not had a vast amount, so that if you take into account what we are seeking now as against all the money that has been made available, it is not such a high percentage that we now seek at the time when we have a major project ready to go in Los Angeles.

Senator ANDREWS. Senators, do those people accompanying you have statements they would like to file or summarize for the subcommittee or do they want to sit back, confident in the fact that you have done such fantastic work for them that they can remain relatively mute?

Senator WILSON. I hope they heard the chairman's admonition.

Senator CRANSTON. They were here as backups on any questions.

Senator ANDREWS. Let's have the record indicate those who were here, that they support the statements of the two Senators, and any statements that they might have will be filed in the record complete as though given every word of it, so that we will have a complete record.

Thank you very much for appearing and we appreciate hearing the case of California.

Senator WILSON. Mr. Chairman, I also have for the record a statement that I would like to submit on behalf of the Honorable Dick Murphy, the chairman of the San Diego Metropolitan Transit Development Board, and Thomas F. Larwin, the general manager of the Transportation Development Board, with respect to their requests to the committee for some \$12 million for the eastern extension of their system.

Senator ANDREWS. Thank you very much, Senator, it will be included, along with the other statements from the California delegation.

[The statements follow:]

STATEMENT OF SENATOR CRANSTON

Mr. Chairman, Members of the Committee, thank you for this opportunity to testify on behalf of the Los Angeles Metro Rail Project. I commend the distinguished Chairman of the Subcommittee (Mr. Andrews) for his conscientious attention to federal mass transit needs generally, and for his specific consideration of the needs of our nation's second largest and second most densely populated urbanized area -- Los Angeles.

As Senator from California, I am acutely aware of the growing needs within my state for mass transit systems that are adequate to the tremendous economic and population growth that is occurring daily. Nowhere is this more evident than in Los Angeles. For a city the size of Los Angeles, rail transit is not a luxury. It is a carefully chosen alternative to transportation paralysis. No comparable urban area in the Western Hemisphere attempts to keep its population mobile without rail transit. The Los Angeles basin is at saturation point with highways and cars. An expanded bus fleet would compound the problem.

Los Angeles needs rail transit.

This healthy, vital region is losing its mobility. The transportation system in the Los Angeles basin approaches gridlock. At peak hour, Los Angeles freeways resemble parking lots. On surface streets within the major corridors traffic is at a virtual standstill. Overcrowded buses must bypass waiting patrons. The situation impinges on the economic vitality of this great city. This directly effects the economic potential of the entire United States.

Los Angeles' population is greater than all but nine of our states. It has the nation's second largest concentration of population, employment, business and industry in the nation.

Los Angeles accounts for almost half the economy of the state of

California -- over 45 percent of California's population, 59 percent of its manufacturing employment, and 47 percent of the state's total personal income.

The area's gross product is larger than the gross national product of all but 13 nations in the world.

Providing public transportation for Los Angeles is clearly in the national interest -- and Los Angeles is prepared to pay its share. The California Transportation Commission has earmarked \$400 million for Metro Rail as part of its five-year program. \$412 million will come from the Los Angeles County Transportation Commission. Los Angeles County voters have twice voted to tax themselves for transit improvement in the Los Angeles basin. The one-half percent transit tax initiative has generated more than \$100 million a year for transit capital expenditures, including Metro Rail.

What this means is that Los Angeles will be paying 38 percent of Metro Rail costs from monies other than the federal Section 3 capital grant program. I find that commitment, Mr. Chairman, to be impressive and encouraging -- especially coming from an area as politically complex and economically diverse as is Los Angeles.

Mr. Chairman, with me this morning is my colleague Senator Pete Wilson. Joining us are representatives of the Los Angeles County Transportation Commission, and the Greater Los Angeles Transportation Coalition. The Southern California Association of Governments, and the Community Redevelopment Agency of the City of Los Angeles are also submitting testimony. I commend their statements to you. We are united in our view that the Los Angeles Metro Rail Project is most worthy of the favorable consideration of this Committee. The Metro Rail Project is key to the economic expansion -- indeed, the economic survival -- of the greater Los Angeles metropolitan area.

That means a lot -- not just to Los Angeles, and to California, but to a nation in great need of economic expansion in every quarter.

STATEMENT OF JACKI BACHARACH, VICE CHAIRWOMAN, LOS ANGELES COUNTY
TRANSPORTATION COMMISSION

MR. CHAIRMAN. MEMBERS OF THE SUBCOMMITTEE. THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU THIS MORNING. MY NAME IS JACKI BACHARACH. I AM VICE CHAIRWOMAN OF THE LOS ANGELES COUNTY TRANSPORTATION COMMISSION AS WELL AS MAYOR OF THE CITY OF RANCHO PALOS VERDES.

I WOULD LIKE TO DISCUSS THE STATUS OF RAIL RAPID TRANSIT DEVELOPMENT IN LOS ANGELES COUNTY AND SPECIFICALLY HOW THIS DEVELOPMENT RELATES TO THE METRO RAIL PROJECT. IN A SENTENCE, METRO RAIL IS THE HIGH-CAPACITY STARTER LINE AND ABSOLUTELY NECESSARY CENTRAL COMPONENT OF A 150-MILE RAIL RAPID TRANSIT SYSTEM APPROVED BY LOS ANGELES COUNTY VOTERS IN 1980.

IN FACT, COUNTY VOTERS HAVE TWICE GONE TO THE POLLS TO APPROVE FUNDS FOR RAIL RAPID TRANSIT CONSTRUCTION. IN 1974, VOTERS APPROVED "PROPOSITION 5", SETTING ASIDE A PORTION OF COUNTY GASOLINE TAXES FOR GUIDEWAY CONSTRUCTION. IN 1980, VOTERS APPROVED "PROPOSITION A", A $\frac{1}{2}$ PERCENT INCREASE IN SALES TAX TO PROVIDE FINANCING FOR THREE SPECIFIC PROGRAMS: REDUCED BUS FARES, LOCAL TRANSIT IMPROVEMENTS AND THE CONSTRUCTION OF A RAIL RAPID TRANSIT SYSTEM. THIS INCREASE HAS GENERATED MORE THAN \$100 MILLION ANNUALLY EXCLUSIVELY FOR TRANSIT CAPITAL PURPOSES. THESE FUNDS WILL BE USED TO MATCH STATE AND FEDERAL FUNDS FOR THE METRO RAIL PROJECT AS WELL AS TO DEVELOP OTHER RAIL TRANSIT CORRIDORS.

AS A DEMONSTRATION OF METRO RAIL'S IMPORTANCE, THE CALIFORNIA TRANSPORTATION COMMISSION, WITH THE SUPPORT OF GOVERNOR GEORGE DEUKMEJIAN, HAS PROGRAMMED \$400 MILLION FOR METRO RAIL IN ITS FIVE-YEAR TRANSPORTATION IMPROVEMENT PROGRAM. THE LOS ANGELES COUNTY TRANSPORTATION COMMISSION HAS PROGRAMMED AN ADDITIONAL \$412 MILLION DOLLARS. THESE COMMITMENTS AS WELL AS THE USE OF BENEFIT ASSESSMENT AND PROPOSED TAX INCREMENT FINANCING

MECHANISMS WILL ALLOW LOS ANGELES TO PROVIDE 38% OF METRO RAIL'S COSTS FROM NON-SECTION 3 SOURCES. SAID ANOTHER WAY, LOS ANGELES WILL CONTRIBUTE OVER \$1.25 BILLION FROM SOURCES OTHER THAN SECTION 3. THIS IS MORE THAN \$430 MILLION OVER WHAT WOULD NORMALLY BE REQUIRED UNDER THE 75/25 FUNDING RATIO CONTAINED IN THE SURFACE TRANSPORTATION ASSISTANCE ACT.

I WOULD ALSO LIKE TO EMPHASIZE THAT LOS ANGELES HAS REQUESTED FEDERAL FUNDS ONLY FOR THE METRO RAIL PROJECT, BUT IS IMPLEMENTING MUCH MORE THAN JUST METRO RAIL. THE PROPOSED LONG BEACH-TO-LOS ANGELES LIGHT RAIL LINE, WHICH IS NOW UNDERGOING PRELIMINARY ENGINEERING, WILL BE FUNDED ENTIRELY WITH LOCAL DOLLARS. IN ADDITION, OTHER PRIORITY TRANSIT CORRIDORS WILL BE CONSTRUCTED WITH LOCAL FUNDS DURING THE NEXT 10-20 YEARS. CONSERVATIVELY, WE ESTIMATE THAT MORE THAN 50% OF THE FUNDS SPENT ON RAIL TRANSIT CONSTRUCTION IN LOS ANGELES COUNTY WILL COME FROM NON-SECTION 3 SOURCES.

I WOULD NOW LIKE TO DESCRIBE THE UNPRECEDENTED BIPARTISAN SUPPORT THAT EXISTS FOR METRO RAIL AT ALL LEVELS OF STATE AND LOCAL GOVERNMENT IN CALIFORNIA. AS I DISCUSSED EARLIER, IN THE ERA OF PROPOSITION 13, THE REKNOWNED TAX-CUTTING MEASURE, LOS ANGELES COUNTY VOTERS APPROVED BY MORE THAN 54% AN INCREASE IN SALES TAX FOR PUBLIC TRANSIT.

THE LOS ANGELES BUSINESS COMMUNITY WORKED CLOSELY WITH CALIFORNIA LEGISLATORS TO PASS LEGISLATION ALLOWING THE CREATION OF BENEFIT ASSESSMENT DISTRICTS ALONG THE METRO RAIL ALIGNMENT. INDIVIDUAL BUSINESSMEN BELIEVED SO STRONGLY IN THE SUCCESS OF THIS PROJECT THAT THEY WORKED TO FINANCIALLY ASSESS THEMSELVES FOR ITS CONSTRUCTION.

FINALLY, AS YOU WILL RECALL, THE METRO RAIL PROJECT WAS VIGOROUSLY DEBATED FOR SEVERAL HOURS ON THE FLOOR OF THE HOUSE OF REPRESENT-

TATIVES. THIRTY-SEVEN OF FORTY-FIVE MEMBERS OF THE CALIFORNIA CONGRESSIONAL DELEGATION JOINED A BIPARTISAN MAJORITY OF 280 REPRESENTATIVES TO APPROVE \$127.5 MILLION IN SECTION 3 FUNDS FOR METRO RAIL CONSTRUCTION IN FISCAL YEAR 1984.

IN CONCLUSION, I DO NOT BELIEVE THAT ANY NEW START RAIL RAPID TRANSIT PROJECT HAS A STRONGER LOCAL FINANCIAL COMMITMENT OR GREATER BROAD-BASED SUPPORT THAN THE METRO RAIL PROJECT IN LOS ANGELES. I LOOK FORWARD TO WORKING WITH THE MEMBERS OF THE SUBCOMMITTEE TO MAKE THIS VITALLY NEEDED PROJECT A REALITY.

THANK YOU VERY MUCH.

STATEMENT OF THE LOS ANGELES COUNTY TRANSPORTATION COMMISSION

The Los Angeles County Transportation Commission strongly supports the Metro Rail project and urges you to again appropriate the requested funds for this project. We view Metro Rail as the keystone link in a rail transit system being developed for the greater Los Angeles area. The Commission is moving forward to implement other parts of the voter-approved 150-mile rail system (Proposition A, 1980).

Created by the California Legislature in 1976, the Los Angeles County Transportation Commission (LACTC) is an independent agency which brings together elected officials from the major local jurisdictions to resolve long-standing transportation problems. It is responsible for setting transportation policy and establishing priorities through allocation of available Federal, State and local funds. As such, it is both an advocate for a balanced and coordinated transportation system and an arbiter between the various transportation agencies in the County.

As the year 2000 draws closer, SCAG has estimated our urbanized area population may grow to 15 million people. Transportation will become even more critical as these 15 million people try to reach jobs, education, cultural and recreational activities.

To meet current and future transportation needs, the Commission placed Proposition A on the November 1980 ballot. Approved by 54% of the voters, it increased the sales tax by $\frac{1}{4}$ % to provide financing for three specific programs: reduced bus fares, local transit improvements and construction of a rail rapid transit system. The Proposition A ordinance specifically stated that the Commission will determine the system to be constructed and operated and that it will be constructed as expeditiously as possible.

This increased $\frac{1}{4}$ % in the sales tax generates more than \$200 million annually exclusively for transit purposes. These funds will be used in part to match State and Federal funds for the

Metro Rail Project as well as to develop other rail transit corridors. To demonstrate the Commission's commitment to Metro Rail, we have programmed \$412 million for this project. The California Transportation Commission has also programmed \$400 million for Metro Rail. These commitments as well as the use of benefit assessment and proposed tax increment financing mechanisms will allow Los Angeles to provide 38% of Metro Rail's costs from non-Section 3 sources. Said another way, Los Angeles will provide at least \$430 million more from sources other than Section 3 than what would normally be required under the Surface Transportation Act.

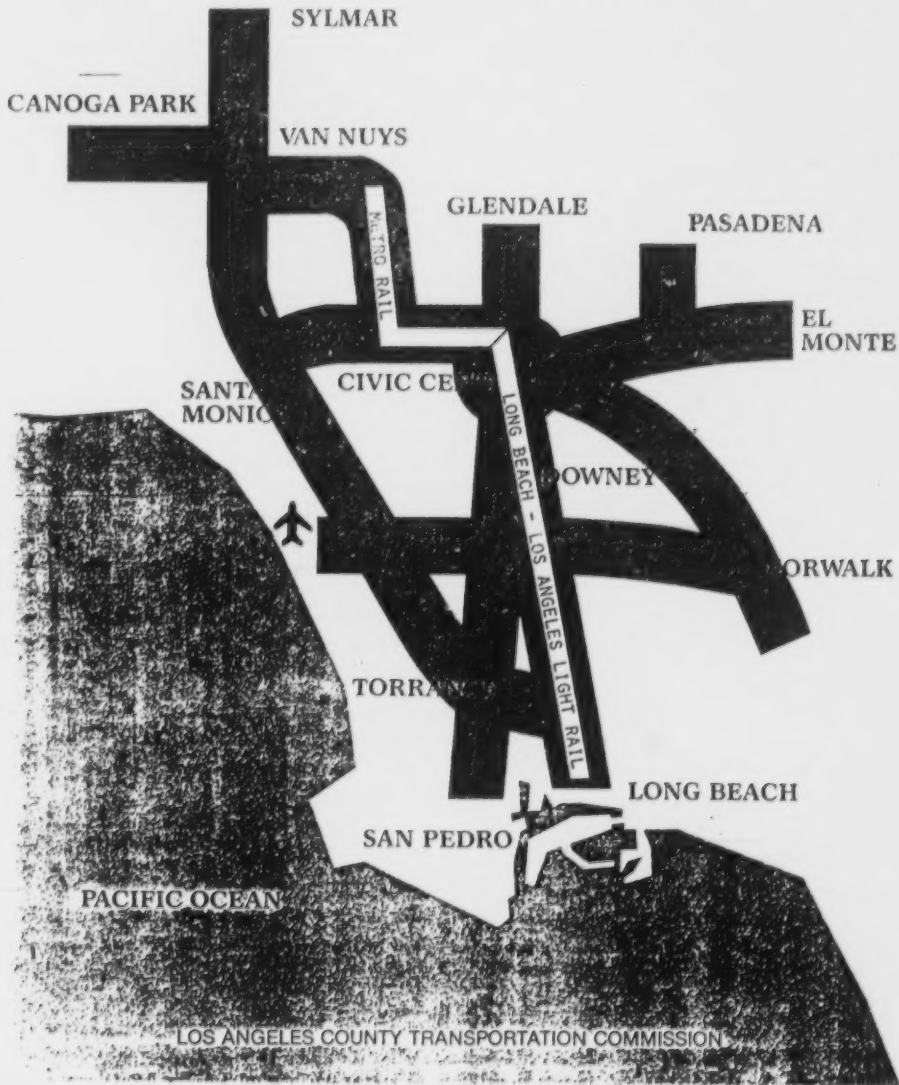
Additionally, we are moving forward on the proposed Long Beach-to-Los Angeles light rail line which is now undergoing preliminary engineering. This rail transit project will be funded entirely with local dollars. The estimated construction cost of the 22-mile line is approximately \$400 million (1984 dollars) with an estimated ridership of 54,000 to 76,000 passengers per day.

Public hearings on the draft Environmental Impact Report are scheduled in June with the Commission adopting the preferred alternative route and financial plan in September, 1984. Final design and construction on this project will take place from 1985-88, with operations beginning in 1988.

The conceptual rail transit system approved by Los Angeles County voters in 1980 has 13 broad corridors for rail development (see attached map). Since Prop. A was approved, the Commission has been working to identify high-priority corridors with representative routes and modes in corridors not served by Metro Rail or the Long Beach-Los Angeles line. Seven high-priority corridors are now being elevated for operational and financial feasibility. The resulting "interim system" consists of a mix of heavy rail, light rail, and bus and carpool lanes.

The Los Angeles County Transportation Commission is committed to expeditiously develop the voter-approved Proposition A rail system. However, the speed with which we can do so is directly dependent upon the level of Federal funding for Metro Rail. We urge Congress to continue funding Metro Rail at a rate which makes possible the timely development of a much needed rapid transit system in Los Angeles.

Future Rail Transit Network



STATEMENT OF THE GREATER LOS ANGELES TRANSPORTATION COALITION

For over a decade, the Los Angeles business community has worked hard to achieve construction of a rapid rail system for Los Angeles. The Metro Rail system is the essential component of a comprehensive transportation network, designed to maintain mobility in Los Angeles and meet increasing demands of our growing population.

One of the major reasons the business community supports the Metro Rail project is its concern with the serious effects of surging population increases within a fixed geographical space that is already highly developed. With nearly 10 million people, our urbanized area is more populous than 45 states. Phrased differently, the 60-mile circle area surrounding Los Angeles has a population exceeded by only 4 states in the nation other than California. A resurgence of growth began in 1973 and in recent years the increases have averaged about 190,000 residents per year. The percentage growth rate in the Los Angeles area's population has been running recently at approximately 1.7 times that for the United States population as a whole. During the decade between 1970 - 1980, population growth in the 60-mile circle surrounding Los Angeles amounted to 1,244,000 residents, a substantially larger increase than was shown by any other urban area in the United States. In just 15 years we will have to provide new services and facilities to a population nearly equivalent to the size of Houston. Growth of this magnitude will place demands on an already burdened transit network. During the peak hours from six o'clock to eight o'clock in the morning, more than 45% of all trips into the central business district are by public transit vehicles. Maintenance of this level of transit ridership in the midst of the tremendous commercial and residential growth already underway in the downtown area, would require the addition of hundreds of buses every peak hour to already congested freeways and local streets. Too, most of the major population and employment centers are located in the Los Angeles regional core, and regional trends in growth concentrations are continuing. For example, within downtown an additional 15-20 million square feet of office space is scheduled for completion by 1990. Firms utilizing this space are expected to provide employment for an additional 120,000 persons who must enter and leave the area each day. The resulting increase of cars on surface streets threatens to paralyze traffic flow by gridlock. We must be able to deliver the office worker

population from the suburbs into downtown. To bring commuters into, and to assure smooth egress from, the regional core requires the construction of Metro Rail. Without added transit capacity, mobility will deteriorate, resulting in decline of area's economic health.

Without question, the economic well-being, strength and capacity of the regional core is of primary importance to the business community. Effective infrastructure is critical to support a prosperous business climate. Nearly half the economy of the State of California is located within a 60-mile circle surrounding Los Angeles. This "circle", with less than 5% of the land area of the State, accounts for more than 45% of its total population, nearly 47% of total personal income of the State's residents, 59% of manufacturing employment, and 62% of the valuation of international trade. Of the largest 100 industrial companies headquartered in California, 63 have their headquarters within the 60-mile circle. Of the top 10 industrial companies, 7 are headquartered in the Los Angeles area; the area also accounts for the headquarters of 4 of the 10 largest banks in California, 6 of the top 10 savings and loans, 5 of the top 10 financial holding companies, 4 of the 5 largest life insurance companies, and 6 of the 10 leading merchandising firms.

Seven of the planned 18 stations of the Metro Rail system are within existing and proposed Redevelopment Project Areas. Metro Rail will help the City and County of Los Angeles achieve the development pattern envisioned for these areas. Redevelopment and revitalization of the regional core in Los Angeles has been underway for over ten years. Much of the success of these efforts has been the joint development of property by a public agency (the Community Redevelopment Agency) and a private property owner/developer. This successful partnership will be repeated through joint development of private real estate projects that are proximate to public transit stations.

The benefits attributable to joint development are several, and they accrue to both private and public sector participants. Private real estate developers realize an increased return on investment. With improved access from transit, an owner of improved property can command relatively higher rents for office, retail, and residential space in comparison to similar projects without transit connections. Also, well designed joint development projects will channel

pedestrian traffic through retail areas, thus increasing customer flow and sales volume.

Other benefits from joint development include economic development, defined as the growth in investment and the commitment of private venture capital in an area. Joint development also facilitates an efficient pattern of land use, by directing high density uses to transit station areas, where regional transportation access is greatest. Locating highly integrated development projects at transit stations is especially effective in attracting customers and employees to arrive by transit. Although a large majority of commuters will still depart from the central business district at the end of the work-day, downtown Los Angeles is experiencing a renewal of residents who live, work, and play in the downtown community. Effective development strategies will not only provide for easier egress from downtown, but also for easier access within downtown to cultural, recreational, educational and professional resources.

The commercial growth around the proposed Metro Rail stations will be enormous. A total of 63.3 million square feet of commercial floor area presently exists within a quarter mile of the proposed Metro Rail stations. By the year 2000, an additional 28 to 53 million square feet is projected to be developed adjacent to these stations.

The Greater Los Angeles Transportation Coalition is committed to addressing the critical transportation needs and challenges facing the entire urban area. We are a partnership of private business, public agencies, labor, elected officials and community representatives. Funding of the Metro Rail system is the most important issue on the Coalition's agenda. Our commitment is evidenced by the business community's commitment to provide at least \$170 million of the cost of stations along the Metro Rail route. These funds will come from the joint development agreements mentioned earlier, benefit assessment districts, tax increment financing, and other value capture methods. Public and private interests in Los Angeles have worked together to devise mechanisms whereby the value attributable to Metro Rail can be recaptured and used to finance the system. Joint development is a major element of our local program; however, our success in obtaining private

revenues is predicated on a continuing strong evidence of support from the public sector.

Metro Rail is the backbone of an integrated transportation network, with various transportation modes. Construction of this "starter line" for the entire system is critical; there are no other options to provide our area with the mobility necessary to avoid strangulation. The Greater Los Angeles Transportation Coalition urges your support of our Fiscal Year 1985 appropriation request for \$336 million.

STATEMENT OF NIKOLAS PATSAOURAS, PRESIDENT, BOARD OF DIRECTORS, SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

Mr. Chairman. Members of the Subcommittee. My name is Nikolas Patsaouras and I am President of the Board of Directors of the Southern California Rapid Transit District (SCRTD). I serve as the appointee of Los Angeles County Supervisor Michael Antonovich to the SCRTD Board of Directors.

This morning I would like to share with you the tremendous transportation challenges facing the Los Angeles area as well as the actions that our community has taken to address these challenges.

THE LOS ANGELES REGION

Currently, Los Angeles is the second largest and the second most densely populated urbanized area in the United States. It is by far the largest urbanized area in the Western World that does not have a rail rapid transit system. Over the decade from 1970 to 1980, this area grew by more than 1.5 million persons, and along with Miami, was one of only two major metropolitan areas in the top 20 that increased both in population and population density. Today, the Los Angeles urbanized area has a population greater than 41 states and by the year 2000, the population projections show that Los Angeles will increase by 2 to 3.5 million people.

Said another way, in 16 years, Los Angeles' population increase will be equivalent to at least the size of Baltimore and perhaps the entire urbanized area of Houston.

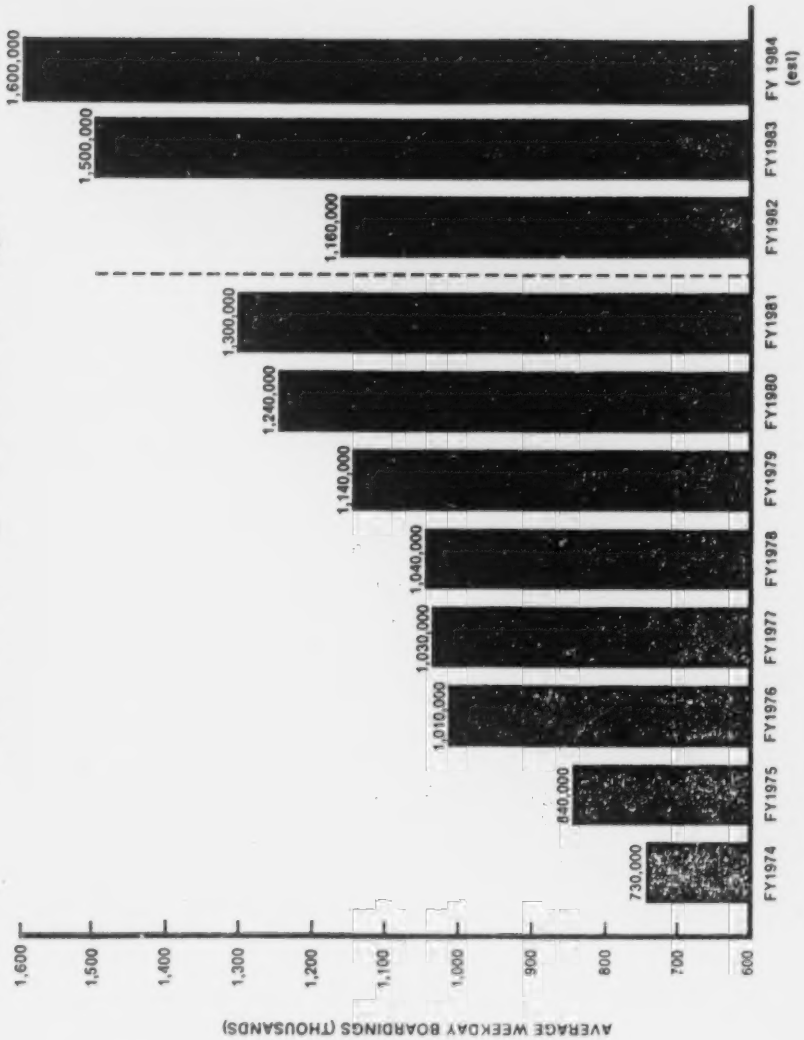
The SCRTD is the third largest transit system in the country and, with more than 2600 active buses, clearly the largest all-bus system in North America. Transit service is provided over more than 220 individual bus routes within a 2,200 square mile area. The current ridership of 1.6 million passengers per day, shown in Figure 1, represents an increase of almost 500,000 riders per day in the past year. This increase alone totals more than twice the number of passengers that Houston carries on its bus system and 100,000 more riders than Atlanta carries on its combined bus/rail system.

Many lines operate at 140% of capacity. The lines in the Wilshire Boulevard corridor carry more than 200,000 daily boardings. This ridership level exceeds that of most individual rail lines in the United States and is equal to the ridership of the entire 71-mile BART system.

During the peak hours from six to eight A.M., more than 45% of all trips into the Los Angeles central business district (CBD) are by public transit vehicles as is shown by Figure 2. An additional 15-20 million square feet of office space is scheduled for completion by 1990. Firms utilizing this space are expected to provide employment for an additional 120,000 persons who will enter and leave the downtown area each day. The resulting increase of cars on surface streets threatens to paralyze traffic flow through the gridlock of autos at intersections during rush hours. Los Angeles is already beginning to experience this phenomenon -- additional buses would simply make a bad problem worse.

FIGURE 1

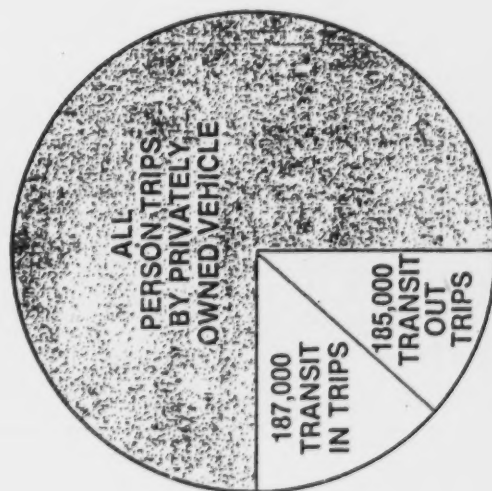
RTD Average Weekday Boardings



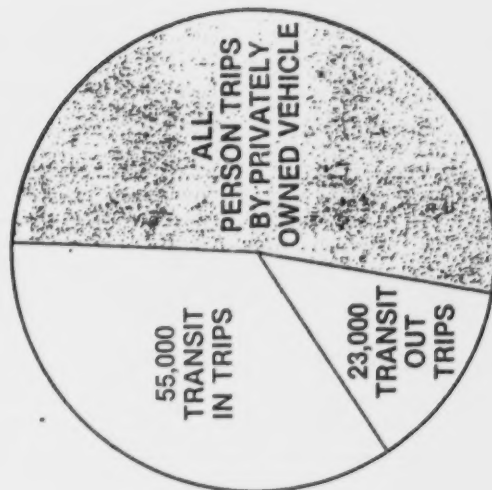
CENTRAL BUSINESS DISTRICT TRANSIT* TRAVEL

**TOTAL TRIPS
6 A.M. TO 10 P.M.**

**TOTAL PEAK-HOUR TRIPS
6 A.M. TO 8 A.M.**



24% OF ALL TRIPS



45% OF ALL TRIPS

FIGURE 2

*OVER 95% OF TRANSIT TRIPS BY RTD

MAJOR TRANSIT CORRIDORS

Figure 3 shows the priority transit corridors approved by the voters of Los Angeles County in November, 1980. A 150-mile rapid transit system, to be built over 40-50 years, will utilize both light and heavy rail lines as well as a strong and efficient bus system. Due to the scale of the transportation challenges facing this region, Los Angeles must develop several corridors simultaneously.

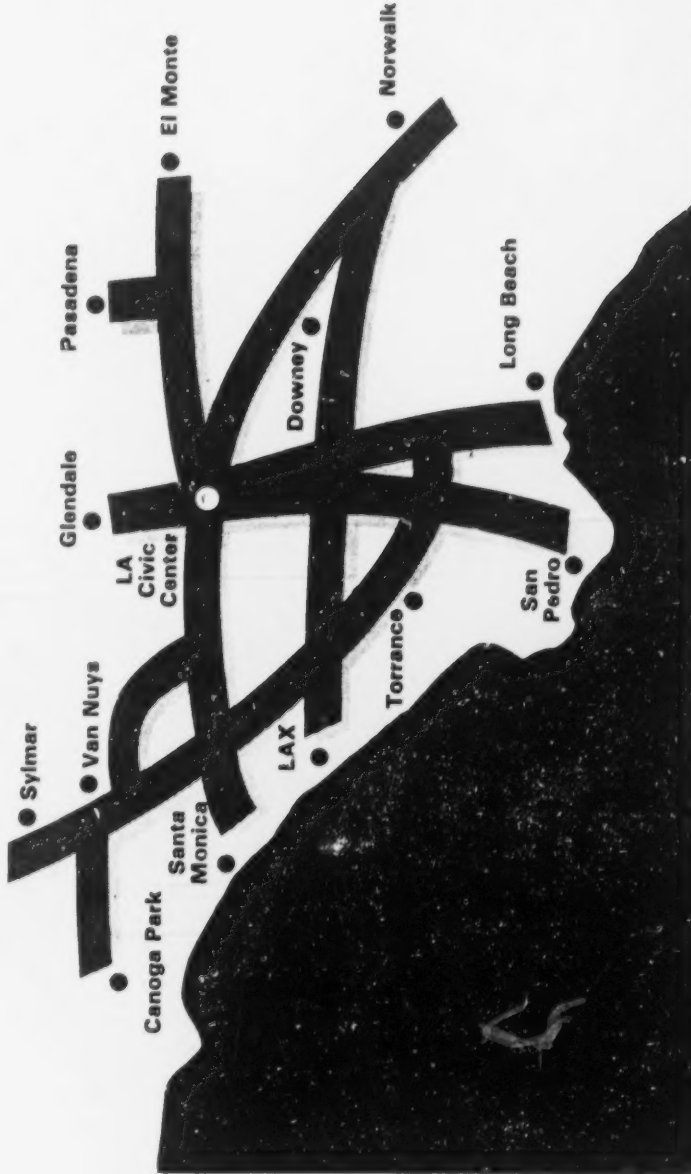
For instance, the Metro Rail Project is the first modern rail rapid transit project in Los Angeles to move beyond the "study" phase. Ground breaking is scheduled for mid-1984 for this high capacity starter line component of the eventual 150-mile system.

The Los Angeles/Long Beach light rail line, already in preliminary engineering, will serve the corridor from "L.A. Civic Center" to Long Beach. Construction is scheduled to begin on this project in 1985 with completion targeted for 1987-1988.

The California Department of Transportation has approved a transitway within the Harbor Freeway corridor. This project will provide exclusive lanes for high occupancy vehicles (HOV) and buses.

The construction of the Century Freeway from Los Angeles International Airport (LAX) to Norwalk will include an exclusive bus/HOV guideway incorporating 10 transit stations. Construction techniques will allow its future conversion to light rail rapid transit.

Major Rail Transit Corridors



RTD Metro Rail

FIGURE 3

METRO RAIL

Metro Rail will run from Union Station through the Los Angeles Central Business District, along Wilshire Boulevard to Fairfax Avenue, then turn north through Hollywood and then under the Santa Monica Mountains to North Hollywood as shown in Figure 4. It will link the more than 3,000,000 people and major high-density activity centers of the Los Angeles Basin with the 2,000,000 citizens of the San Fernando Valley.

Some 268,000 riders a day will travel on Metro Rail when revenue service along the entire 18.6 mile line begins in 1990. By the year 2000, Metro Rail patronage is expected to reach 365,000 daily riders.

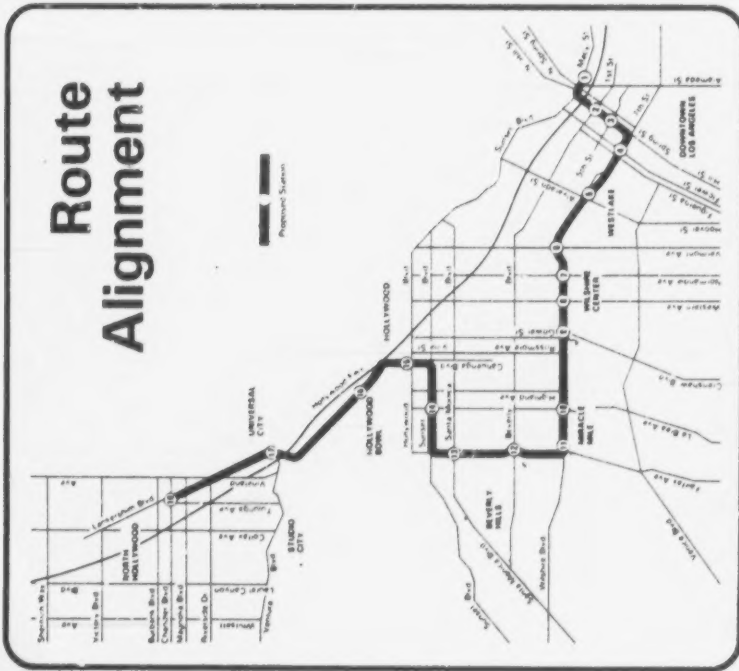
A total of 63.3 million square feet of commercial floor area presently exists within a quarter-mile of these proposed Metro Rail stations. By the year 2000 an additional 28 to 53.5 million square feet is projected to be developed adjacent to these stations.

Since the system will directly benefit the businesses occupying commercial structures adjacent to the station areas, an assessment will be placed on these businesses to help pay for station construction. At least \$170 million, or 5%, of Metro Rail's total cost will result from these benefit assessments.

FIGURE 4

Station Locations

1. Union Station
2. First & Hill
3. Fifth & Hill
4. Seventh & Flower
5. Wilshire & Alvarado
6. Wilshire & Vermont
7. Wilshire & Normandie
8. Wilshire & Western
9. Wilshire & Crenshaw
10. Wilshire & La Brea
11. Wilshire & Fairfax
12. Fairfax & Beverly
13. Fairfax & Santa Monica
14. La Brea & Sunset
15. Hollywood & Cahuenga
16. Hollywood Bowl (deferred)
17. Universal City
18. North Hollywood



RTD Metro Rail

METRO RAIL FUNDING

There are actually six separate funding sources involved in financing the Metro Rail Project as shown in Figure 5.

The cost of the Metro Rail Project in current dollars is \$2.411 billion. However, the Urban Mass Transportation Administration currently requires transit systems to use a seven percent rate of inflation to escalate project costs to the mid-point of construction. With the mid-point of construction in 1987, Metro Rail's escalated cost is \$3.309 billion.

1. UMTA Section 3 (\$2.012 billion)

While the UMTA Act, as amended, allows the federal government to participate in up to 75% of the cost of rapid transit construction, the SCRTD has developed a financial program which anticipates only a 62% participation by UMTA through Section 3. Under this plan, the District's Section 3 grant application requested \$2.012 billion from UMTA over the nine-year development and construction period.

In FY 1984 we hope that UMTA will issue a Letter of Intent with the concurrence of appropriate Congressional committees for funds through the end of the current authorization period of FY 1986, will issue a Letter of No Prejudice for the balance of the Project, subject to authorizations of the Congress, and will approve a grant for \$117.2 million from FY 1984 appropriations.

In addition to the proposed UMTA Section 3 share, the District's financial plan anticipates funding from five additional sources, including the private sector. The local commitment to this broad-based plan is evidence that the Metro Rail Project possesses wide political and community consensus and support.

FIGURE 5

METRO RAIL
PROPOSED FUNDING SOURCE SCHEDULE
 (MILLIONS OF DOLLARS)

SOURCES	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91	TOTAL	PROJECT SHARE %
SECTION 3											
62% SHARE	0	117.2	336	336	365	365	365	127.8	0	2,012	
77% SHARE*	40	0	0	0	0	0	0	0	0	40	
TOTAL	40	117.2	336	336	365	365	365	127.8	0	2,052	62
STATE	39.3	27.4	63.2	72	72	57	57	0	0	387.9	12
LACTC	5.4	38	54	55	56	70	70	42.6	21	412	12
LOCAL/PRIV.	0	0	60.3	70	20	19.7	0	0	0	170	5
SECTION 9	0	42.6	29.5	20	25	25	26	30	20	218.1	7
CITY OF L. A.	0	7	7	10	10	11	11	10	3	69	2
ANNUAL TOTALS	84.7	232.2	550	563	548	547.7	529	210.4	44	3,309	100



MARCH 1984

* AVERAGE OF \$15 MILLION AT 80% AND \$25 MILLION AT 75%.

2. State of California (\$400 million)

State participation in the Metro Rail Project will be funded through the State Guideway Program. The State's \$400 million commitment to the Metro Rail Project has already been made by the California Transportation Commission, exercising its responsibility for allocation of State transportation funds.

3. Los Angeles County Transportation Commission (\$412 million)

LACTC funding for the Metro Rail Project will be primarily from a half-cent sales tax in Los Angeles County approved as a county-wide ballot measure known as Proposition A. From this local tax, a clearly identified source of funding is available for rail transit construction.

4. Local/Private (\$170 million)

This source of revenue is derived from special benefit assessment districts to be implemented by the SCRTD. These powers were given to the District under State legislation passed October 1, 1983.

The process of creating the assessment districts is already underway and the SCRTD will issue bonds against the anticipated annual revenues. The bond proceeds will raise an anticipated 5% of the total cost of construction of the Project.

5. UMTA Section 9 (\$206 million)

Within Los Angeles County, the Los Angeles County Transportation Commission (LACTC) allocates funding among the transit operators based upon formula factors of revenue vehicle miles, total vehicle miles and total ridership. Seven percent of Metro Rail's construction cost is projected to be provided from this funding source, approximately one-third of the total revenue available.

6. City of Los Angeles (\$69 million)

The primary source of funds available to the City of Los Angeles for rapid transit is the local return portion of Proposition A. The District's funding plan requires a commitment of approximately one-fourth of the City's Proposition A revenues.

Construction of Metro Rail will induce considerable operational savings. For instance, the top chart in Figure 6 shows that in the year 2000 it will cost only one-ninth as much to operate Metro Rail as it will to operate the SCRTD bus system. Using 1983 dollars for comparison, Metro Rail will only require \$48.5 million annually while the bus system will require more than \$447 million. The second chart also highlights the efficiency of rail rapid transit. Again using 1983 dollars for comparison, on a cost-per-passenger basis transporting passengers on Metro Rail will cost less than 50 percent of what it will cost to transport passengers by bus.

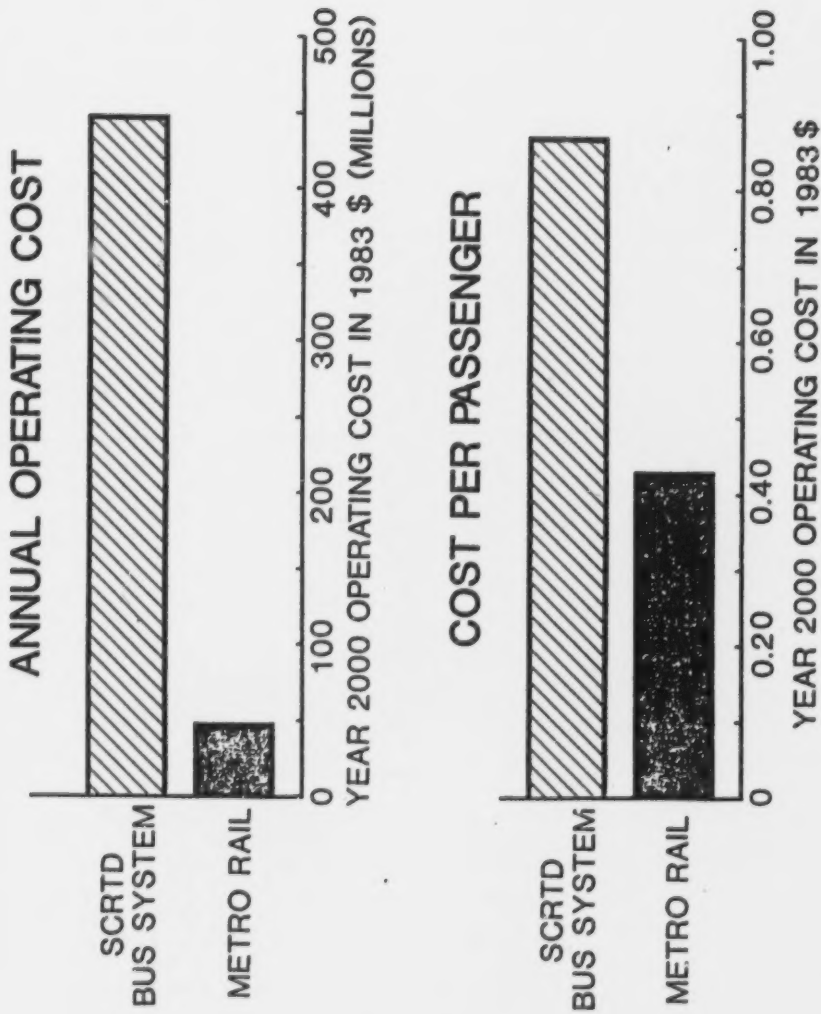
CONCLUSION

The case for building the Los Angeles Metro Rail Project is indeed compelling. The need is there. The scale of the Los Angeles area, when measured in total person trips, is greater than that of 41 states and equivalent to that of the entire state of Florida. Many believe that Los Angeles is 15 years behind where it should be in transit today.

Moreover, the local commitment is there. In November, 1980, the citizens of Los Angeles recognized this problem when they voted to tax themselves to build a 150-mile rail rapid transit system for which Metro Rail will be the high-capacity starter line. The strength of this local support is further demonstrated by the higher than required local contribution to the cost of the project. Thirty-eight percent of Metro Rail's cost will come from sources other than Section 3.

FIGURE 6

OPERATING COST-SCRTD VS. METRO RAIL



Let me say that I am aware of comments describing the \$336 million in Fiscal Year 1985 appropriations requested by Los Angeles for the Metro Rail Project as "too ambitious". Nonetheless, I would be misrepresenting the interests of the citizens of Los Angeles if I did not present to the Subcommittee a request which would allow the timely and successful completion of the Metro Rail Project.

As the members of the Subcommittee are aware, the Congressional Budget Office has released figures which show that the revenue accruing to the Mass Transit Trust Fund would support an increase in Section 3 authorizations of at least an additional \$300 million. We support these increased authorizations and appropriations from the Trust Fund.

However, it is clear that the current annual allocation of \$400 million is not sufficient to address the needs of every city asking for new start funds. I urge the Subcommittee to give priority consideration to those new start projects which are in an advanced stage of construction-readiness and meet high cost-effectiveness standards and objective criteria.

Metro Rail is an extremely cost-effective project. In recent Congressional testimony, UMTA Administrator Ralph Stanley ranked the Metro Rail Project as one of the three most cost-effective projects in the entire country. The SCRTD is currently waiting for the go ahead from UMTA to proceed with construction.

I am not suggesting that three projects be guaranteed all available new start funds. But, they should receive priority consideration now as well as when additional authorized funds become available for appropriation. To do less is to fail to rationally and equitably meet the transit needs of this country.

STATEMENT OF EDWARD HELFELD, ADMINISTRATOR, COMMUNITY REDEVELOPMENT
AGENCY, CITY OF LOS ANGELES

I would like to thank the Committee for providing the Los Angeles Community Redevelopment Agency (CRA) the opportunity to share with you our views regarding the Los Angeles Metro Rail Project. CRA is a redevelopment agency charged with increasing housing production, preserving and revitalizing older neighborhoods, increasing economic development and diversity, expanding employment opportunities, and enhancing the quality of the urban environment. The scope of CRA's activities have increased dramatically over the past few years as the Agency's role has expanded. Increasingly the Agency has become involved in the planning and implementation of transportation improvements as a necessary element of redevelopment activities.

By the late 1980s and the early 1990's, Los Angeles' regional transportation system will have difficulty in accommodating commuter trends. These trends have been forecasted and well documented in numerous regional transportation studies. The impact of congestion upon development has also been forecasted in market studies. Increasing congestion will encourage some office tenants who might have remained, expanded or located within Los Angeles County to relocate in outlying areas, thereby increasing the region's sprawl, automobile dependence, and attendant problems. Development of the first 18 miles of Metro Rail by 1990 will provide a significant increase in the region's transportation capacity, especially to some of the more concentrated employment centers. Implementation of Metro Rail will enable the City of Los Angeles to make effective land use decisions consistent with the provision of appropriate balanced transportation services, and promote efficient land use patterns.

Metro Rail is a major necessary element of Los Angeles' future; provision of such services is assumed in every major policy plan of local and state public agencies. Accordingly, CRA has extended support and assistance to the SCRTD by specifically defining land use and development plans coordinated with the implementation of Metro Rail. Currently the CRA is preparing Station Area Master plans for seven of the planned Metro Rail stations which are located within Redevelopment Areas. CRA has also assumed a lead role in implementing joint development activities to translate profitable transit/land use relationships into private sector contributions for Metro Rail.

Last year the Federal government challenged Los Angeles to achieve what no other city has done - raise \$170 million from the private sector to finance capital costs of a transit project. Considerable progress has been made to date. The California legislature provided SCRTD authorization to initiate benefit assessment activities so that commercial properties benefiting from Metro Rail will be assessed a portion of its costs. SB 1238 is a landmark piece of transportation legislation. SCRTD and the City

of Los Angeles are preparing a detailed plan of action so that an equitable and sustainable assessment rate is established for City Council review. When implemented, this legislation will establish a national precedent for financing transportation services in other communities.

In addition to benefit assessment activities, the SCRTD is working with the City of Los Angeles to obtain site specific Metro Rail contributions. While we are just in the initial stage of this effort, the prognosis appears good. Development market studies conducted for CRA conclude that the Metro Rail Project will have a positive significant impact on development trends within the Metro Rail corridor. The greatest favorable development impact will be in the region's office development. In fact, Metro Rail could positively affect total office construction activity Los Angeles County by as much as ten percent. Development impacts will be most favorable after 1990, when Metro Rail service will be in operation. The development forecasts associated with Metro Rail are supportive of SCRTD's claim that development benefits will accrue because of Metro Rail. This finding is fundamental to realizing revenues from benefit assessment mechanisms.

Site specific market and planning development studies have also been initiated at selected Metro Rail Station Areas. Currently much of CRA's joint development activities have been focused on the downtown area. Accompanying this testimony is a CRA/SCRTD brochure describing Metro Rail joint development plans and objectives for downtown Los Angeles. This brochure has proved valuable in initiating joint development negotiations, however CRA is also preparing more detailed Station Area Master Plans. I hope that you and your staff will take the time to review this document, since it will provide you with a better understanding of the scope of the SCRTD/CRA joint development efforts as well as the commensurate level of site specific details. These efforts are evidence that Los Angeles has responded in good faith to your challenge to raise private sector funds.

Before concluding I would like to stress that the current optimism of the development community and the expressions of private sector commitments to Metro Rail can be sustained only by strong continued commitments of the public sector. Los Angeles is on the verge of implementing the largest scale benefit assessment and joint development program of any transit program in the nation. The economic trends and market conditions are favorable and the development forecasts are positive. Adequate groundwork supporting an ambitious private sector effort has been laid. Now, as we begin to piece together an extensive unprecedented commitment of funds from the private sector, it is of utmost importance that the public sector not waiver in its commitment and financial obligations to this project.

CRA has extended its support to the SCRTD so that Metro Rail can be realized. We urge the Senate Committee on Appropriations to continue its support and commitment to this significant transportation project.

STATEMENT OF SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

REGIONAL DEVELOPMENT AND TRANSPORTATION

The Southern California Association of Governments (SCAG) was formed in 1965 by the counties of Imperial, Los Angeles, Orange, Riverside, San Bernardino, and Ventura, and cities within these counties. The purpose of this voluntary association of local governments is to provide an open forum where regionwide problems can be explored and solutions agreed upon.

Southern California's diverse topography, scenic beauty, and pleasant climate have helped draw many people into this region. But with this growth, prosperity, and change have come problems. Urban sprawl, traffic congestion, unhealthy air, water pollution, and housing shortages detract from everyone's quality of life.

In recognition of this fact, supervisors, mayors, and councilmembers have worked through SCAG to help solve these difficult problems. Under their direction, comprehensive plans dealing with air and water quality, transportation, regional growth and development, housing, and other areas have been prepared.

SCAG's Executive Committee is its primary decision-making body. It is composed of twenty elected officials from member cities and counties. The overall governing body of the organization is the General Assembly. Its membership is made up of one voting delegate from each city and county in the six-county region.

Transportation Needs

The Southern California lifestyle is built on travel. Our homes and businesses are spread across 1,600 square miles of urbanized area; the SCAG region as a whole occupies 38,000 square miles. During 1980, our residents drove about 200 million miles a day on the region's nearly 4,000 miles of freeways and highways, and thousands of miles of surface streets. Each day our public transit system carries one and a half million passengers on close to 4,000 buses. In one recent year, the region's ten air-carrier airports moved some 43 million passengers and close to a million tons of cargo. The many general-aviation airports in the region base over 11,000 private aircraft used for business and pleasure.

In addition, the region has miles of bikeways, equestrian and hiking trails, and numerous marinas for pleasure boating.

Besides moving people, our transportation system moves freight. The highway system serves trucks as well as passenger vehicles. The three major ports of the region (Los Angeles, Long Beach, and Port Hueneme) handled over \$20 billion in trade in one recent year--a substantial portion of the total trade at all West Coast ports. Three major railroads--the Southern Pacific; the Union Pacific; and the Atchison, Topeka, and Santa Fe--move people and freight through the region. Southern California has the busiest rail market in the Western United States.

The recently completed SCAG-82 Growth Forecast projects the region's population to increase by approximately 3.2 million by the year 2000. SCAG's Executive Committee has adopted the final SCAG-82 regional population total of 14.75 million people within the region by year 2000. Significant expenditures for transportation and other infrastructure will be needed to meet these projected increases.

REGIONAL TRANSPORTATION PLAN

SCAG has recently adopted the Regional Transportation Plan for 1984. The Plan covers six counties in Southern California and addresses the long range transportation problems and possible solutions for the region.

The Plan says that we need to build as much as we can to increase the capacity of the transportation system. Rapid growth is continuing to the point that the existing system will no longer be able to sustain it.

Building all that we can will not be enough, however, for several reasons. The Plan estimates that if all of the planning studies already underway led to the construction of a transportation project by the year 2000, they would create a funding gap of between \$11 and \$13 billion (in 1982 dollars). Without building all of these possible projects, the region will not be able to maintain the level of mobility it experiences today. Other considerations include the realization that more than the time available is needed to implement some of these projects and that the potential exists with some of them to impact land use in a way that is inconsistent with regional plans and policies.

What, then, can be done to improve mobility over the next 20 years or so? Additional transportation strategies must be considered that complement the new facilities and make the overall system more effective. These strategies include:

- o DEMAND MANAGEMENT, reducing the overall demand on the system or shifting that demand to transit or ridesharing;
- o SYSTEM MANAGEMENT, achieving greater volumes of travel along existing facilities; and
- o NEW TECHNOLOGIES, taking advantage of technological innovations (such as telecommunications and highway electrification) to improve mobility in the region.

New approaches are needed to reduce the funding gap as well. Greater emphasis on these approaches may increase revenues and, at the same time, enhance the effectiveness of other transportation strategies. The approaches include:

- o TAX AND FEE, raising general income, sales or gasoline taxes;
- o VALUE CAPTURE, relying more heavily on private sector contributions; and
- o DIRECT, requiring out-of-pocket contributions from users through such tactics as toll roads.

The bottom line of the Plan is that the right mix is needed. It's a mix of new facilities, other transportation strategies, and new revenue raising approaches. These must be mutually enhancing, building upon the strengths of the others to achieve an effective transportation system that meets the goals and objectives of the region.

METRO RAIL AND REGIONAL DEVELOPMENT

The Regional Transportation Plan identifies the 18 mile Metro Rail project as the first priority for new transit capital investments in the region. Located in the Regional Core, Metrorail will serve one of the most dynamic areas in the country.

The Regional Core is the most highly urbanized portion of the metropolitan Los Angeles area, extending from the Central Business District to Santa

Monica. It is roughly 11 miles long and 5-1/2 miles wide. Included in the Regional Core are ten centers: The Central Business District, Westwood, Century City, Beverly Hills, Miracle Mile, Wilshire, Santa Monica, Hollywood, Westlake, and the Sunset Strip. The geographic area within the Core contains the highest density of jobs and housing in Southern California. It represents the center of growth activity through year 2000. The Core is bounded by the Hollywood Freeway, the Ventura Freeway, and the Santa Monica Freeway. There are no freeways within the Core. Today, the capacity of the highway and transit system to move people into downtown Los Angeles from the Westside is about 32,000 people per hour. The projected year 2000 demand for these trips during the peak hour is over 40,000 trips. This increase in east-west movement can only be handled by a project the scale of the Metro Rail Project.

To the north of the Regional Core is the San Fernando Valley. The Hollywood Freeway (through the Cahuenga pass) is the only freeway connecting the entire San Fernando Valley to the Central Business District. This freeway and a few mountain canyon roads (such as Laurel Canyon and Coldwater Canyon roads), provide the only connection between the employment centers of the Core and many major population centers such as Sherman Oaks, Van Nuys, Panorama City, Burbank, and Hollywood. The total transit and roadway capacity between the San Fernando Valley and Central Business District is approximately 30,000 person trips per hour in each direction. The year 2000 projected demand for these trips is about 59,000 persons per hour. Metrorail would also serve these trips.

Metro Rail is an essential element of the facility needs of Southern California. In addition to meeting a critical need in moving people in the Regional Core, the project is also a critical factor in the design of other transit facilities.

Metro Rail will provide needed downtown contributions for two transit projects already programmed for construction: the L. A./Long Beach Light Rail Line and the Harbor Freeway Transitway. Together these two projects will bring thousands of transit patrons into the downtown area who will use Metro Rail to complete their journey.

Metro Rail will provide needed system interface to the San Fernando Valley Light Rail Line, a project currently being planned by the Los Angeles County Transportation Commission. The commission is already considering an easterly extension to the Metro Rail to serve the Santa Ana corridor as well.

STATEMENT OF DICK MURPHY AND THOMAS F. LARWIN, SAN DIEGO METROPOLITAN
TRANSIT DEVELOPMENT BOARD

1. INTRODUCTION

Mr. Chairman, members of the Subcommittee, I am a San Diego City Councilman and Chairman of San Diego's Metropolitan Transit Development Board (MTDB). Our organization has built and operates the San Diego trolley, a light rail vehicle mass transit system. We come before you today to respectfully request \$12 million in Federal UMTA discretionary monies in FY 1984-85 to complete our East Urban Light Rail Transit Project. We own all of the right-of-way for this extension, and final engineering is virtually complete. Essentially, we have a project ready to go.

We are proud of our record of performance. The South Line of the San Diego Trolley was completed on time and under budget, with no Federal funds, beginning revenue service in July 1981. The initial cost of \$86 million represented an implementation cost of less than \$6 million per mile. In order to implement this initial 16-mile system, the Board of Directors maintained strict control and relied upon practical principles of low cost, no frills public transportation and use of proven, reliable "off-the-shelf" equipment.

The existing South Line operates from downtown San Diego south through two suburban communities to the Mexican Border at Tijuana. Ridership has steadily increased above initial projections since opening in July 1981. In fact, ridership has increased between 28%-37% for each of the last seven months as compared to a year earlier--March 1984 ridership figures exceeded 16,000 daily for a new record. The operating economies are also positive--the farebox recovery (percentage of operating cost paid by user fares) has steadily averaged about 78%. By maintaining a high farebox return, we have been able to rely upon locally available resources for operating assistance and do not use any Federal operating monies.

2. INCREMENTAL EXTENSION

As a further demonstration of our local initiative, we will break ground in May 1984 for the first 4.5-mile segment of this East Urban Line extension. We already have sufficient State and local funds to construct this segment. We believe that this short extension will be a productive and feasible incremental way to implement our East Urban Light Rail Transit Project.

Importantly, even though we are not using Federal money directly on this project, the Board of Directors has made a commitment to adhere to the Disadvantaged Business Enterprises (DBE) policies required for Federally-funded projects and has set a minimum goal of 21% DBE participation on the major construction work.

3. EAST URBAN LINE PROJECT

The East Urban Line Project would be an extension of 11.5 miles from Euclid Avenue in Southeast San Diego to the City of El Cajon and consist of eight stations. The western portion of this line proceeds through an economically depressed area of the City of San Diego and is a critical catalyst to local redevelopment efforts.

The line continues easterly through the suburban communities of Lemon Grove, La Mesa, and El Cajon. At two of the stations, Central La Mesa and Grossmont-La Mesa, substantial joint development potential exists. At the Grossmont-La Mesa station, for example, a Letter of Intent with the adjacent shopping center owner has been executed. At both the stations, joint planning is underway.

This line will utilize the same vehicle technology as used on the South Line, light rail vehicles. It is anticipated that 3-car trains, and perhaps even 4-car trains in the future, will be used during the peak periods in order to achieve operating cost-efficiencies at times of high ridership demand.

The total capital cost of this Project is estimated to be \$97.7 million. This total includes property purchases in the hands of MTDB through ownership of the San Diego & Arizona Eastern Railway Company (SD&AE) and advanced purchases of station and parking lot rights-of-way using local and State monies. As a result, we will be contributing 59% of the total project budget from locally available resources. Even with the SD&AE Railway right-of-way value withdrawn, we are committed to a 50% local share of the remaining project costs.

Further, our technical studies conclude that this Project would be cost-effective. It will build on existing capital investments already in place by virtue of jointly using trackage on downtown streets. Conservative ridership estimates for this east extension show a minimum of 20,000 daily. This figure does not include ridership impacts from the joint development activities already in motion. Also, the existing cost-efficient operating management structure provides the foundation for economies of scale that would result in an estimated operating cost of \$0.72 per passenger as compared to San Diego's major transit operator's cost of \$1.76.

4. FUNDING REQUEST

Our financial plan requires \$40 million from Federal discretionary monies in order to complete the extension. Of this total, \$8.3 million is already budgeted by the Congress for the project. We now need the balance of \$31.7 million to complete the project. We would like this remainder to be appropriated for Fiscal Year 1984-85. However, in order to do our share in keeping the appropriation amount as close to actual expenditure needs, and without substantially delaying construction plans, we are willing to reduce our request to \$12 million for the year.

5. CURRENT STATUS

We are now completing our Environmental Impact Statement (EIS) process and have a preliminary draft EIS in its final stage. The

final EIS is due to be completed by August 1984. As soon as the EIS process has been completed and Board action on the preferred alternative taken, we will be ready to advertise for construction and procurement contracts.

As noted, the Board owns almost all of the right-of-way needed for the extension and parking lots. In addition to the western 4.5 miles that are being constructed independently, the eastern terminal station will be opened in June 1984 as a bus transfer facility for local, regional, and intercity buses. In addition, there will be a park-and-ride facility at that location.

With local and State financial assistance, engineering for this project has been completed. Therefore, we have a project that is ready to go. State and local financial participation is in place and the only remaining uncertainty is the Federal funding for Fiscal Year 1984-85.

6. CONCLUSIONS

This project has wide-ranging community support--for example, included are the San Diego Association of Governments, the cities of El Cajon, Lemon Grove, and San Diego, the County of San Diego, San Diego Transit Corporation, community planning groups along the line--and, it has been ranked as one of the highest Statewide priorities by the California Transportation Commission. The community believes that we can offer a practical, low cost, highly successful light rail transit system. This project has low risk, with significant operating cost-efficiencies and will be a positive stimulus for an economically disadvantaged corridor. With your support, our project is ready to build and can be implemented in a very short time frame.

We would like the Federal government to join us in completing our system.

COLORADO DELEGATION

STATEMENT OF HON. WILLIAM L. ARMSTRONG, U.S. SENATOR FROM COLORADO

Senator ANDREWS. We have our colleague, Senator Armstrong from the State of Colorado with some people from C-470 task force, Rex Jennings, the president and chief executive officer of the Denver Chamber of Commerce.

Senator, if you will come forward with your group we would be glad to hear from you.

Senator ARMSTRONG. Thank you, Mr. Chairman.

Mr. Chairman, I am grateful for the opportunity to come by for a minute and put in a good word for this project.

Mr. Jennings is going to make the main presentation on behalf of it, but I wanted to come for two reasons, first of all, because Rex Jennings is an old friend and a leader of Colorado who enjoys universal respect.

For the last 18 years he has been the president of the Denver Chamber of Commerce and under his leadership our city has transitioned into one of the most dynamic and rapidly growing metropolitan areas in the world and has done so with a minimum of dislocation and a minimum of disruption and the kind of foresight and planning that I think is a model for other metropolitan areas to emulate.

This has been possible in large measure because of the enlightened leadership of the business community and, in turn, the leadership provided by my friend Rex Jennings. So he is uniquely qualified to talk about C-470 which is a crucial transportation thing.

Second, I wanted to express on the record what I have told the chairman and other members of the committee privately, which is that I am deeply grateful for the support that this subcommittee has given for C-470 in the past and I recall that last year in the report language, the committee stated that this project must receive a consistent level of funding in order to keep this vital project on schedule.

Mr. Chairman, beyond that I simply wish to submit my written statement which lays out not in exhaustive detail but in summary fashion the need for this, the facts of this program, the very rapid increase in the utilization of alternative transportation corridors in the Denver metro area which emphasizes the need to complete action on C-470, the fact that the State legislature has made money available to fulfill its end of it and the fact that in our area the project enjoys universal, indeed, I think, unanimous support.

With that, Mr. Chairman, I am going to go back up to the Finance Committee and see if I can get a little amendment put on a trade bill we are marking up, but I did want to come by and introduce Rex Jennings and thank you for your past support.

Senator ANDREWS. Senator, I also know the amendment you are about to put in takes care of the export potential of our farmers.

Senator ARMSTRONG. I will bear that one in mind because I have a few farmers who are concerned about that as well.

Senator ANDREWS. I know you have and you do a great service for them.

Senator ARMSTRONG. Thank you, Mr. Chairman.

Senator ANDREWS. I appreciate your coming, Senator. Your entire statement will appear in the record as though given and we are glad to hear from you Mr. Jennings.

[The statement follows:]

STATEMENT OF SENATOR ARMSTRONG

Mr. Chairman and members of the Subcommittee, I thank you for the opportunity to be here today to introduce Mr. Rex. Jennings, President of the Denver Chamber of Commerce. Mr. Jennings will talk to the Subcommittee today about Colorado's funding needs under the Interstate Transfer Program. This is a particularly important program for Colorado, since the state's most critical project -- Colorado 470 -- is funded under this program.

C-470, also known as Centennial Parkway, will be a 26 mile long, 4 lane parkway circumferencing the southwestern Denver metropolitan area when completed. This is an area of Denver that has witnessed very rapid growth in the last several years, and an area in which new developments show no sign of abating. Indeed, the concept for this project first came about as a means of meeting the traffic demands of a growing area, but now it is needed just to meet the incredible traffic demands growth has placed on the current road system. As just one example, traffic on the area's primary east-west artery has increased 13.5% since just 1982.

The critical need for C-470 has won it unanimous support from the local community, the state, and the entire Colorado Congressional delegation. Evidence of the critical need for this project and its overwhelming approval within the state, is seen in the enactment last year by the Colorado legislature of a 3 cent a gallon increase in the gas tax just for the purpose of having matching funds available for construction once federal funds were secured.

C-470 entered the Transfer Program in 1977, and its Environmental Impact Statement was completed in 1980. Since then, a large portion of the right-of-ways have been completed, and now all that remains is for the actual construction to begin. This is a project that is ready to go. It can put to use immediately any and all money that can be made available.

This Committee has recognized Colorado's needs in the past, and we are especially appreciative of the report language supplied by this Subcommittee last year stating that "the Denver C-470 project must receive a consistent level of funding in order to keep this vital project on schedule". Unfortunately, last year monies appropriated under the Transfer program had to be split up more ways than the previous year due to the addition of several new withdrawals from the Interstate program into the Transfer program. We understand there are many well-deserving projects that the Subcommittee must consider, but we just want to keep in mind that C-470 was one of the original transfer projects, that its need in Colorado is critical, that it enjoys unanimous support, and that it can make effective use of federal dollars by putting that money to work immediately.

Thank you, Mr. Chairman. Now, I would like to present Mr. Rex Jennings, whose past 18 years as President of the Denver Chamber of Commerce makes him more than qualified to talk to you about the C-470 project.

**STATEMENT OF REX JENNINGS, PRESIDENT/CHIEF EXECUTIVE OFFICER,
DENVER CHAMBER OF COMMERCE**

Mr. JENNINGS. Thank you, Mr. Chairman.

Senator ANDREWS. Let me assure you that your whole statement will appear in the record as though given every word and you can summarize it in any way you want.

Mr. JENNINGS. Thank you. I will be very brief. I appreciate Senator Armstrong's taking the time to come and introduce me. I appreciate the chance to meet again with you and members of your committee to say a few words about Colorado 470, which is a highway of longstanding and crucial importance to the Denver metropolitan community.

In addition to my verbal comments here, we are submitting written testimony. I have distributed a copy of a booklet called "Colorado 470, The Need for Early Completion," which I would like also to submit for the record.

Senator ANDREWS. We will have that and it will be printed in the record immediately after your remarks.

Mr. JENNINGS. Let me say, Mr. Chairman, that in almost 20 years in this current position with the Denver Chamber of Commerce and being involved in many, many activities relating to the Denver metropolitan community, few if any of them have ever taken on the measure of importance or measure of frustration to some extent that has been the case with this highway project which originated as a part of the Inter-

state System as you recall back in 1968; had some controversial aspects in the early stages but those were resolved long, long ago when it became a part of the interstate transfer program.

And for the past many years this project has had the unanimous support and endorsement of the Governor of Colorado, the Colorado General Assembly, all of our congressional delegation, and all of the political and business leaders of the entire metropolitan community.

I can personally attest to the critical and increasingly alarming problems which face the Denver transportation situation. When completed this C-470 parkway will be a tremendous boost in our ability to move people throughout the south, not only the southwestern Denver area, but throughout the entire metropolitan area which now has 1,700,000 people.

As you know from previous testimony and consideration that you have given the project, it is a 26-mile circumferential parkway connecting Interstate 25 and Interstate 70 and the southwestern area of Denver.

As I said, it first came into prominence in 1968 as a part of the Interstate System. There was some controversy early on with regard to the environmental aspects of the project.

Governor Lamm in 1976 appointed an ad hoc committee made up of both proponents and opponents of the project, and in 1977 they reached consensus and that is when it became a part of the interstate transfer program.

It was accepted as a part of the interstate transfer project program by the Department of Transportation on September 20, 1977. As you know the C-470 project greatly depends on funding from the interstate transfer program.

Fortunately, in the year 1983 we received \$60 million in transfer funds for C-470, and some companion projects that were a part of the interstate transfer program. Certainly we very much appreciate that level of funding.

However, the optimism for continuation of that funding level has been greatly diminished recently. To date for fiscal year 1984 the State has received only about \$6.3 million in formula funds and an additional \$8.1 million in discretionary funds.

The sudden drop of \$14.4 million has had a tremendously detrimental effect resulting in some possible severe delays before the project can be completed.

In fiscal year 1985 under the allocation formula, C-470 and the State's other interstate transfer projects are expected to receive only about \$12.8 million in formula funds. It is estimated that the C-470 project can be completed in 3 years if we could for the next 3 fiscal years get the level of funding back up to approximately the same level it was in 1983 or about \$60 million a year; roughly \$12 million in the formula funds, and we are asking for \$48 million in discretionary funds.

I am aware, of course, that your subcommittee is continually presented with any number of projects deserving special attention. I would urge, however, that you take a close look at the merits and the other

factors involved in this one particular situation regarding C-470 for these reasons:

No. 1, the construction of the C-470 project is presently underway on the first 8 miles, so it is a viable active program, on the first 8 miles of the total of 26.

The design and riderway acquisition are virtually complete, and we are ready to move forward with a construction schedule that could complete the project in 3 years if funding is made available.

Also I would like to emphasize that in anticipation of this higher level of Federal funds, we were able to encourage the Colorado General Assembly in the 1983 session to add a 3-cent-a-gallon gasoline tax to the State part of the funding, so that we would have funds available to meet the Federal moneys.

Even with a 3-year completion schedule this project is facing a possible \$22 million shortfall. And if it is allowed to drag out over a longer period of time, this shortfall could reach at least up to \$50 million.

Also I would like to emphasize again that the entire Colorado congressional delegation as well as the Governor and all other Colorado State and local governments have taken an active role in supporting this project.

Now, in closing let me make the comment that the Denver metropolitan area faces a number of urgent transportation problems which if left unaddressed will reach the crisis levels both in terms of traffic gridlock and in terms of air pollution.

C-470 may not solve the entire problem, but it will be a major step toward the solution of a problem that is long overdue in its solution in our opinion.

When the initial project was conceived, in the late 1960's, it was in anticipation of a growing problem of transportation within the area. I would like to emphasize that our traffic problems have grown in recent years much faster than our response to them or our solutions.

We are now working diligently to react to this seriously growing problem by completing the project as expeditiously as is possible, and we need your continued support and interest.

And this concludes my testimony, Mr. Chairman, except that I would like to thank all of you for granting us once again the privilege of being here and emphasizing the importance of C-470 and asking you to earnestly consider an appropriation of \$48 million for the funds that are available for the Secretary of Transportation.

Senator ANDREWS. Thank you, Mr. Jennings.

[The statement of Mr. Jennings follows:]

STATEMENT OF REX JENNINGS

Thank you, Mr. Chairman and members of the Subcommittee. My name is Rex Jennings, I am President of the Denver Chamber of Commerce, and I appreciate this opportunity to address this body concerning Colorado 470, a highway of longstanding and crucial importance to the Denver Metropolitan area.

In addition to my verbal and written testimony, I have distributed a copy of a booklet, C-470: The Need For Early Completion, which I would like also to submit for the record. After 18 years of representing the Denver Metropolitan business community via my position at the Chamber, I can personally attest to critical and increasingly alarming problems which face Denver from a transportation standpoint.

When completed, the Colorado 470 parkway will be a tremendous boost in our ability to move people through the southwest Denver area, thus not merely increasing traveler convenience, but helping to alleviate some of the near gridlock conditions which plague our major transportation arteries at peak hours.

The C-470 project is a 26-mile circumferential parkway serving the southwestern quadrant of the Denver Metropolitan area, and connecting two interstate highways -- I-70 and I-25. This road will be the first circumferential limited-access highway serving these regions of Denver. In 1968, this highway was a designated portion of the Interstate System, then called I-470. After I-470 was beset by controversy during the environmental impact and planning stages in the early 1970's, Governor Dick Lamm appointed an Ad Hoc Committee on Interstate-470 in 1976.

This Committee, made up of both proponents and opponents of the project, reported in 1977, a compromise solution which resulted in the recommendation that I-470 be withdrawn as an interstate-funded project, and that Colorado

470 be substituted as an Interstate Transfer highway project. The compromise was accepted by the Governor, and the withdrawal/substitution proposal was accepted by the Department of Transportation on September 30, 1977. The project is strongly supported by all Members of the Colorado Congressional Delegation.

The Interstate Transfer Highway program is the major source of funding for C-470 and related projects. Since substitution of the C-470 project into a transfer project funding category in 1977, approximately \$114 million has been made available cumulatively through FY 1983. These funds have been utilized for design, right-of-way acquisition and construction. Of this total, \$59.3 million was received in FY '83, and of that amount \$29.1 million was from the discretionary funding made available to the Department of Transportation. Unfortunately, FY'84 funding dropped to \$20.7 million, of which only \$14.4 million has actually been released (since the Interstate Cost Estimate was only approved for a six month period). If funding continues at the \$20.7 million/year level, it will necessitate lengthy and costly delays in C-470 completion at the very time when we are ready to move ahead immediately with construction.

Under the allocation formula, C-470 and the State's other Interstate Transfer projects are expected to receive around \$12.8 million for FY'85. It is estimated that the C-470 project can be completed in three years, if for these three fiscal years, the total funding level for Colorado's Interstate Transfer projects can be increased to the FY'83 level of \$60 million annually -- thus distributing our unallocated highway funds of approximately \$130 million over a 3-year period. After this, Colorado would be finished and removed from the program.

While I am aware that your subcommittee is continually presented with any number of projects deserving special attention, I would urge you,

however, to take a close look at the merits and other factors involved with our particular situation regarding C-470 and related transfer projects:

- ** The construction of the C-470 project is presently underway on the first 8-mile phase of the 26-mile project, and design and right-of-way acquisition are progressing to accomodate a three-year construction completion schedule;
- ** The State of Colorado has implemented a 3 cent/gallon of gasoline tax to assist in supplementing the federal share of funding for this and related projects;
- ** Even with a three-year completion schedule, the State of Colorado will be faced with a \$22 million shortfall in project costs -- if funding is stretched out even further, it is estimated that the shortfall could be as much as \$50 million or more. Given the State's commitment to the project and the amount of progress made on construction, this additional cost seems unnecessary;
- ** The entire Colorado Congressional Delegation, as well as the Governor and all other Colorado state and local governments, have taken an active role in supporting this project.

Again, I would stress in my closing, that the Denver-Metropolitan area faces a number of urgent transportation problems which, if left unaddressed, will soon reach crisis levels, both in terms of traffic gridlock and air pollution. While C-470 is not the entire solution to these needs, it is an essential and long overdue component of a comprehensive solution. When the initial project was conceived in the late 1960's, it was in anticipation of a growing problem -- we are now working diligently to react to a serious and growing problem by completing the project as expeditiously as possible.

That concludes my testimony, Mr. Chairman, except that I would like to thank all of you for granting me the time to state our concerns before this subcommittee.

COLORADO 470: THE NEED FOR EARLY COMPLETION

Presented by
The Colorado 470 Washington, D.C. Delegation

Chairman
John Osborn, Chairman
C-470 Inter-Chamber Task Force

Members

Jim Allred
Centennial (Englewood and
Littleton, Colorado) Chamber of
Commerce

Kathy Arnold, State Senator
Jefferson County, Colorado

Dwight Bower, Deputy Director
Colorado Department of
Highways

Darryl Crawford
Council of Homeowners Organi-
zation for Planned Environment
(Jefferson County, Colorado)

Charley Emley, Mayor
City of Littleton, Colorado

Bill Thornton, Councilman
Town of Bow Mar, Colorado

Rich Ferdinandsen, Commissioner
Jefferson County, Colorado

Bill Franklin, Vice President
for Public Affairs
Denver, Colorado Chamber of
Commerce

David Howlett, Economic
Development Director
City of Littleton, Colorado

Ed Nielson
United Airlines
Denver, Colorado

Alvin "Sandy" Sandidge,
Financial Secretary
International Union of
Operating Engineers, Local
No. 9

COLORADO 470: THE NEED FOR EARLY COMPLETION

A WORD OF APPRECIATION

Efforts to complete Colorado 470 (C-470) on a timely basis continue. Through the combined efforts of the C-470 Inter-Chamber Task Force, the Colorado Department of Highways, and the entire Colorado Congressional delegation, C-470 is underway. In particular, credit for progress on the parkway must be given to the support and leadership of members of the State's Congressional delegation: U.S. Representatives Dan Schaefer, Ken Kramer, and Tim Wirth; and U.S. Senators Bill Armstrong and Gary Hart.

This unified support has enabled the project to obtain necessary funding to proceed with the purchase of needed right-of-way and

commence with actual construction. These individuals and groups remain committed to this project and are dedicated to seeing C-470 completed on a timely basis.

PURPOSE

The purpose of this booklet is to present the case for maintaining an adequate and reasonable level of funding for C-470. This is the third in a series of booklets prepared by the C-470 Delegation for presentation to members of Congress and officials of the U.S. Department of Transportation. Other booklets were presented in 1982 and 1983.

BACKGROUND

Colorado acted in good faith when the state requested Interstate 470 be withdrawn and C-470 and other projects substituted as Interstate Transfer projects. The State of Colorado Interstate 470 Withdrawal-Substitution Proposal was officially accepted by the Department of Transportation on September 30, 1977. During the period between 1977 and 1982, \$14.2 million was allocated for C-470 which was spent on study, design, and right-of-way.

In January 1982, renewed focus was directed toward the C-470 project. The project suddenly faced an uncertain funding future because it had only been allocated \$4.8 million out of a total of \$7.7 million allotted for all Colorado Interstate Transfer projects for 1982. The implications of this low-level funding were enormous. If this level of funding continued on a yearly basis, it would take 32 years to complete the parkway. Recognizing the seriousness of the funding situation, a task force composed of volunteers from four Denver metropolitan-area chambers of commerce (Centennial, Denver, Golden, and Lakewood) was formed in February 1982 to explore ways to obtain a higher level of funding for the project. After the initial meeting of the task force, the group decided its efforts must focus on the federal level since the majority of the project's funding came from federal sources.

The task force's actions culminated in assembling a delegation representing many community groups concerned with the status of C-470. This delegation journeyed to Washington, D.C. in April 1982 and presented testimony to the House Public Works Committee and the Senate Appropriations Committee Subcommittee on Transportation and Related Agencies. The group also met with then-Secretary of Transportation Drew Lewis.

The effort of the C-470 Task Force, in combination with aggressive leadership by Colorado's Congressional delegation, resulted in a vastly improved funding situation for the project in 1983. Congress appropriated \$25 million for Colorado Interstate Transfer projects and \$29.08 million in Department of Transportation discretionary funds were released in March 1983.² Thus, a total of \$59.3 million in Interstate Transfer monies were appropriated for Colorado Interstate Transfer projects in 1983.³ In addition, \$1.9 million in advance right-of-way money was made available in December 1983.

By the end of fiscal year 1983, \$60.7 million had been obligated to C-470. This figure represents the total of C-470's share of Interstate Transfer monies for all of the years since the project became eligible for Interstate Transfer funds. Because of this dramatic increase in funding for 1983, the Colorado Department of Highways was able to not only continue to acquire needed right-of-way but to aggressively pursue construction of Phase I elements.

In June of 1983, a similar task-force delegation was again formed for the purpose of meeting with key members of the House and Senate as well as representatives from the U.S. Department of Transportation.

Though the delegation was well received, the results of the trip were somewhat mixed. Funding levels for 1984 are not expected to match those received in 1983. By September 30, 1984, the end of the 1984 fiscal year, Colorado will likely receive approximately \$14.4 million in formula and discretionary Interstate Transfer funds. Of this amount, roughly \$10.7 million will be earmarked for C-470. Colorado may yet receive another \$6.3 million in formula monies in 1984 of which C-470 would receive \$2.9 million.

The following table illustrates the level of Interstate Transfer funding received and anticipated for both C-470 and the entire state.

COLORADO 470 FUNDING IN RELATION TO TOTAL COLORADO
INTERSTATE TRANSFER FUNDING
(MILLIONS)

	Total Expected Interstate Transfer Funding	Obligated Funds	Funds to be Allocated	FY78	FY79	FY80	FY81	FY82	FY83	FY84 ⁴
<u>C-470</u>	<u>6-30-80</u>	<u>7-30-85</u>	<u>7-30-85</u>							
	\$127.5	60.6	66.8	2.0	1.8	-0-	10.4	4.8	41.5	13.6
<u>STATE</u>	\$263.8	132.2	131.5	4.1	28.7	15.2	17.2	7.7	59.2	20.7

⁴These totals include \$14.4 million in Interstate Transfer funds for all Colorado projects of which C-470 will roughly receive \$10.7 million. Another \$6.3 million (\$2.9 million for C-470) may yet be allocated in 1984.

CURRENT STATUS

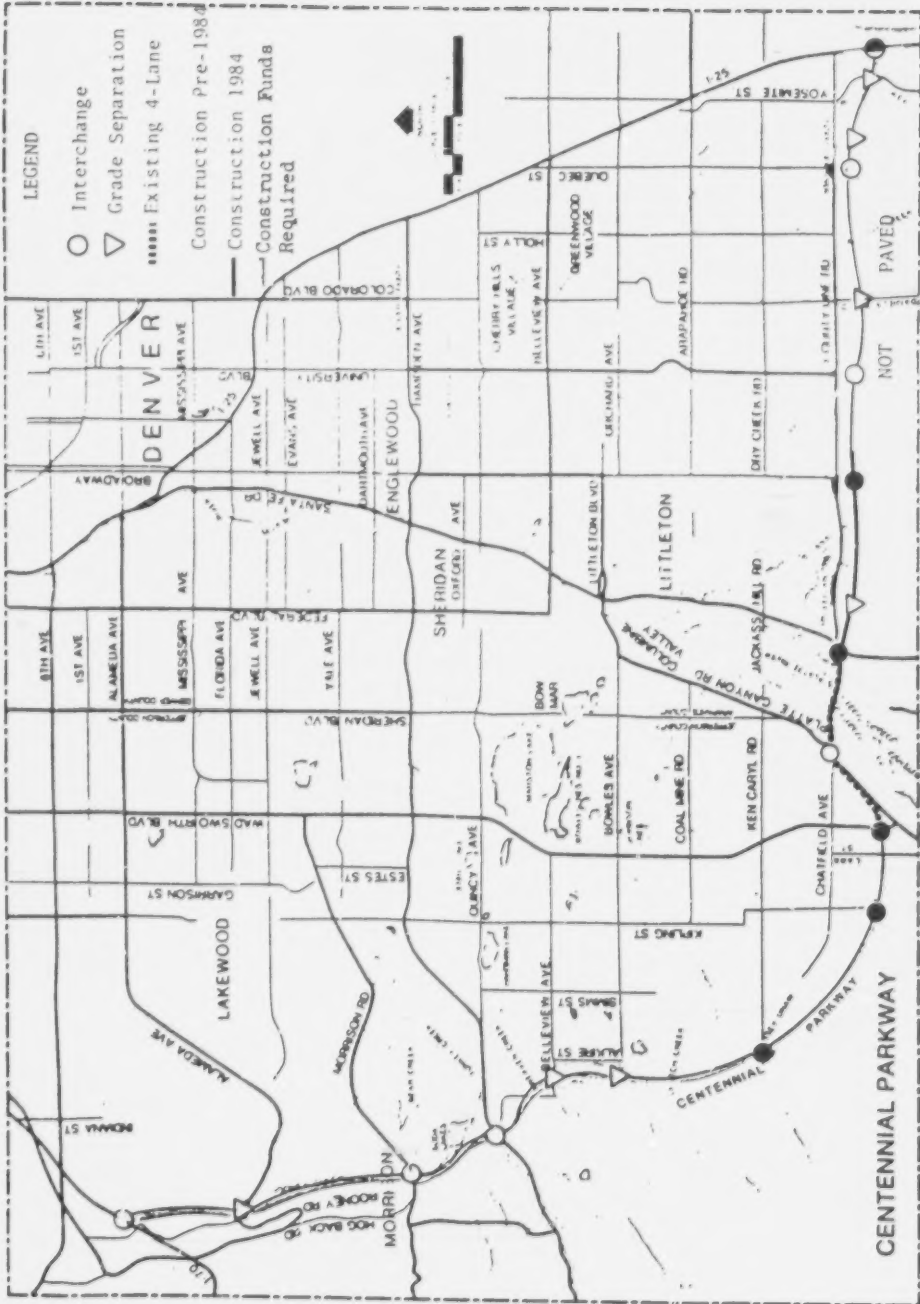
Even with the funding setback in 1984, the Colorado Department of Highways has attempted to meet its construction schedule for the project.

By the end of 1984, the Highway Department expects to have the following projects completed or underway (see accompanying map):

- Acres Green Drive structures
- Bowen Farm structures
- Broadway structure
- Daniels Park Road structure
- I-25 to Santa Fe grading (paving will be done in 1985)
- Ken-Caryl structure
- Kipling structure
- Wadsworth structure
- Quebec structure
- Santa Fe interchange
- Tri-level interchange structures at I-25 and C-470
- University structures
- Yosemite structures

Right-of-way acquisition continues during 1984 with the following acquisitions to be completed or underway by the end of the year:

- Phase I - completed
- Phase II - appraisal underway
- Phase III - 50% completed (appraisal underway on remaining 50%)



Although funding for the project was reduced in 1984, the Department believes it can at least complete Phase I (I-25 to Santa Fe Drive) by December 1985. However, completion of Phases II and III are far less certain.

THE NEED

As stated in the 1982 delegation booklet, "Colorado 470: A reaffirmation of support," the need for early completion of the project is well substantiated:

The need for Colorado 470 (C-470) is now more acute than nearly a quarter century ago when a circumferential route in this vicinity was first envisioned and certainly more acute than five years ago when the present concept of the C-470 project was agreed to. Development and traffic pressures continue in the south, southwest and west regions of the Denver metropolitan area. Many of the developments that were only proposed when the final Environmental Impact Statement was approved in 1980 are now built or well underway. In particular, the southwest quadrant is the location of a number of major projects.

This statement continues (two years later) to reflect the present-day situation in the southwest Denver area. New development projects, providing both housing and employment opportunities, continue to be added to the lengthy list of previously announced projects, many of which are now well underway.

Traffic pressures continue to grow. According to the last traffic count, County Line Road, which currently handles much of the present east-west traffic, experienced a 13.5% increase in traffic since 1982 and we expect dramatic increases to continue.

THE ISSUE

Maintaining a reasonable and consistent level of funding continues to be the major issue facing C-470. The C-470 delegation is deeply appreciative of the support that Congress and the Department of Transportation has shown for the project thus far. However, the inconsistent amount of funding from year to year has made it more and more difficult for the parkway to be completed on a timely basis.

The delegation urges Congress and the Department of Transportation to reexamine funding priorities for Interstate Transfer projects and bring funding for C-470 up to a level comparable to 1983 levels. This request is based on the following reasons:

1. The need for the C-470 parkway is ever more pressing as evidenced by the growth in the southwest Denver metropolitan area and the large traffic increases both experienced and projected.
2. As opposed to most other Interstate Transfer projects which are beginning the concept and design phases, C-470 is under design and a large portion of the project is actually ready for construction. In other words, monies appropriated for the project can be spent for construction. Ultimately, these monies are funneled back into businesses which strengthen the overall local economy and reduces the unemployment rate.

3. Since the project is under construction, maintaining an adequate and reasonable level of funding makes economic sense. Congress and the U.S. Department of Transportation can get "more bang for their buck" by maintaining an adequate and reasonable level of funding. Inflation continues to be a problem for not only C-470 but for all transportation projects. The difference is that C-470 can be built now.
4. Maintaining an adequate and reasonable level of funding also enables the Colorado Department of Highways to plan more accurately for manpower needs and to better meet construction schedules, thus helping the department to make more efficient use of funds.

A REQUEST

The Colorado 470 delegation again strongly urges Congress and the Department of Transportation to increase funding support for the C-470 project to an adequate and reasonable level.

¹When completed, the Colorado 470 project will be a 26-mile-long, four-lane parkway. Located in the southwest Denver metropolitan area, the parkway will extend from a location slightly south of the present interchange of County Line Road and I-25, follow the current County Line Road corridor, stretch west past Santa Fe Drive, and then loop north to I-70, near the Foothills.

²The Interstate Transfer Highway program is the major source of funding for the C-470 project. The \$220-million project will receive \$150 million from the Interstate Transfer program (including state and local matching funds) with \$46.6 million coming from the Interstate program for construction of the I-25 and I-70 interchanges. However, even with these funds, the project still faces a possible \$23.4 million shortfall.

³For FY83, the Colorado 470 project received approximately \$41.6 million of the \$59.3 million appropriated to the state from the Interstate Transfer program. The remaining monies went to other Transfer projects, including Santa Fe Drive, Wadsworth, and Kipling improvements.

NEW JERSEY DELEGATION

STATEMENT OF HON. FRANK R. LAUTENBERG, U.S. SENATOR FROM NEW JERSEY

Senator ANDREWS. Our next witness is Senator Lautenberg with the American Public Transit Association. Our apology for holding you up, Senator. We are glad to have you here.

We understand Jerry Premo is with you. We would be glad to hear from you.

Senator LAUTENBERG. Thank you, Mr. Chairman, for your understanding in permitting me to join in this important hearing. I commend you for holding it.

I am pleased to be here for two purposes this morning; one is to lend my support to operating assistance for mass transit systems and to introduce Jerry Premo, who is the director of the New Jersey Mass

Transit Authority. I have the feeling, however, that he needs no introduction; and perhaps he should be introducing me to this committee.

Senator ANDREWS. As a matter of fact, Senator, he even knows where Pembina, N. Dak. is. That is where New Jersey bought all those wonderful buses. And when the State has the foresight to buy its buses in the State that is represented by the chairman of the Transportation Subcommittee, some 700-plus buses, that shows admirable talent.

Senator LAUTENBERG. I think so. He said the geography there was particularly interesting.

I would also like to take the opportunity to mention to my distinguished colleague, the chairman of this committee, that I served as a commissioner of the Port Authority of New York and New Jersey who was the purchasing body for those buses, Senator Andrews, so we want to make the point very clear.

Senator ANDREWS. Senator, we thank you as well.

Senator LAUTENBERG. The committee has a difficult job weighing the needs of all modes of transportation, be it highways, the Coast Guard, aviation, mass transit, or the railroad.

That job is made more difficult by a large Federal deficit and a need to invest our resources wisely. Under your leadership, Senator Andrews, those choices have been made well in the past, and I know they will continue to be made wisely.

I come before you as a Senator from the most densely populated State in the Union. New Jersey is served by all modes of transportation.

Today I want to address our mass transit need. The density of our population necessitates an ability to move people efficiently in terms of time and energy and cost.

Support for mass transit is central to our ability to get people to work, shopping, school, and recreation. Perhaps the most contentious issue in the area of mass transit is the continuation of operating assistance.

Operating assistance was a major issue in 1982 when Congress passed the landmark Surface Transportation Assistance Act. In 1982 a compromise was struck on this matter, limiting future aid to 80 percent of fiscal year 1982 expenditures. This committee has been instrumental in upholding that agreement.

Unfortunately, the administration has not accepted the compromise. Once again this year the administration's budget calls for a phaseout of mass transit operating assistance, and I would urge this committee, as it did last year, to reject this proposal.

A phaseout of operating assistance could well lead to fare increases, service cutbacks, for those who rely on mass transit. It could mean a fare increase of over 10 percent in New Jersey and many users of my State and elsewhere have no other means of transportation.

Operating assistance is of particular importance to smaller communities as the chairman well knows. As the committee pointed out last year, stressing capital programs too heavily in small communities can timely lead to a misapplication of resources.

Effective mass transit programs must include both capital equipment and operating aid. Mr. Chairman, New Jersey also has substantial rail modernization needs.

Last year this committee provided significant support for rail modernization in apportioning discretionary funding. The support is deeply appreciated.

I now want to introduce formally Jerry Premo. As you know he is the legislative chairman of the American Public Transit Association. Mr. Premo represents the foremost advocacy group for mass transit in the Nation.

I have worked with him in developing mass transit legislation S. 2554 along with Senator D'Amato, which I hope the Banking Committee will address this year. I know your committee will examine its provisions and goals carefully.

Again, Mr. Chairman, you know that Jerry Premo is no stranger to North Dakota. His visit to your State resulted in the purchase of 700 commuter buses as you mentioned.

I reconfirmed with him just now that the buses are performing exceptionally well as contrasted to some other situations we have seen. It is a pleasure for me to present him, Jerry Premo, to the committee and I commend his testimony and his colleagues here to you, and I thank you, Mr. Chairman.

Senator ANDREWS. Thank you, Senator, we appreciate your coming here.

[The statement of Senator Lautenberg follows:]

STATEMENT OF SENATOR LAUTENBERG

MR. CHAIRMAN, I APPRECIATE THE OPPORTUNITY TO TESTIFY BEFORE THE COMMITTEE IN SUPPORT OF ADEQUATE MASS TRANSIT FUNDING FOR FY1985, AND TO INTRODUCE JERRY PREMO, DIRECTOR OF THE NEW JERSEY MASS TRANSIT AUTHORITY -- ALTHOUGH I HAVE THE FEELING HE NEEDS NO INTRODUCTION. PERHAPS HE SHOULD BE INTRODUCING ME.

THIS COMMITTEE HAS A DIFFICULT JOB: WEIGHING THE NEEDS OF ALL MODES OF TRANSPORTATION -- BE IT HIGHWAYS, THE COAST GUARD, AVIATION, MASS TRANSIT OR RAILROADS. THAT JOB IS MADE ALL THE MORE DIFFICULT BY THE FEDERAL DEFICIT AND THE NEED TO INVEST FEDERAL RESOURCES WISELY. UNDER YOUR LEADERSHIP, SENATOR ANDREWS, THOSE CHOICES HAVE BEEN MADE WISELY IN THE PAST AND I KNOW WILL BE MADE WISELY THIS YEAR.

I COME BEFORE YOU AS A SENATOR FROM THE MOST DENSELY POPULATED STATE IN THE UNION. NEW JERSEY IS SERVED BY ALL MODES OF TRANSPORTATION. TODAY, I WANT TO ADDRESS OUR MASS TRANSIT NEEDS. THE DENSITY OF OUR POPULATION NECESSITATES AN ABILITY TO MOVE PEOPLE EFFICIENTLY, IN TERMS OF TIME AND ENERGY. SUPPORT FOR MASS TRANSIT IS CENTRAL TO OUR ABILITY TO GET PEOPLE TO WORK, SHOPPING, SCHOOL AND RECREATION.

PERHAPS THE MOST CONTENTIOUS ISSUE IN THE AREA OF MASS TRANSIT IS THE CONTINUATION OF OPERATING ASSISTANCE. OPERATING ASSISTANCE WAS A MAJOR ISSUE IN 1982 WHEN CONGRESS PASSED THE LANDMARK SURFACE TRANSPORTATION ASSISTANCE ACT. IN 1982, A COMPROMISE WAS STRUCK ON THIS MATTER, LIMITING FUTURE OPERATING AID TO 80 PERCENT OF FISCAL YEAR 1982 EXPENDITURES. THIS COMMITTEE HAS BEEN INSTRUMENTAL IN UPHOLDING THAT AGREEMENT.

UNFORTUNATELY, THE ADMINISTRATION HAS NOT ACCEPTED THE COMPROMISE. ONCE AGAIN, THIS YEAR, THE ADMINISTRATION'S BUDGET CALLS FOR A PHASE-OUT OF MASS TRANSIT OPERATING ASSISTANCE. I WOULD URGE THIS COMMITTEE, AS IT DID LAST YEAR, TO REJECT THIS PROPOSAL.

A PHASE-OUT OF OPERATING ASSISTANCE COULD WELL LEAD TO FARE INCREASES AND SERVICE CUTBACKS FOR THOSE WHO RELY ON MASS TRANSIT. IT COULD MEAN A FARE INCREASE OF OVER 10 PERCENT IN NEW JERSEY.

MANY USERS IN MY STATE AND ELSEWHERE HAVE NO OTHER MEANS OF TRANSPORTATION. OPERATING ASSISTANCE IS OF PARTICULAR IMPORTANCE TO SMALLER COMMUNITIES, AS THE CHAIRMAN WELL KNOWS. AS THE COMMITTEE POINTED OUT LAST YEAR, STRESSING CAPITAL PROGRAMS TOO HEAVILY IN SMALL COMMUNITIES CAN ACTUALLY LEAD TO A MIS-APPLICATION OF RESOURCES. EFFECTIVE MASS TRANSIT PROGRAMS MUST INCLUDE BOTH CAPITAL EQUIPMENT AND OPERATING AID.

MR. CHAIRMAN, NEW JERSEY ALSO HAS SUBSTANTIAL RAIL MODERNIZATION NEEDS. LAST YEAR, THIS COMMITTEE PROVIDED SIGNIFICANT SUPPORT FOR RAIL MODERNIZATION IN APPORTIONING DISCRETIONARY FUNDING. THE SUPPORT IS DEEPLY APPRECIATED.

MR. CHAIRMAN, I NOW TURN THE PLATFORM OVER TO JERRY PREMO. AS YOU KNOW, JERRY IS THE LEGISLATIVE CHAIRMAN OF THE AMERICAN PUBLIC TRANSIT ASSOCIATION. JERRY REPRESENTS THE FOREMOST ADVOCACY GROUP FOR MASS TRANSIT IN THE NATION. I HAVE WORKED WITH HIM IN DEVELOPING MASS TRANSIT LEGISLATION, S. 2554, ALONG WITH SENATOR D'AMATO, WHICH I HOPE THE BANKING COMMITTEE WILL ADDRESS THIS YEAR. I KNOW YOUR COMMITTEE WILL EXAMINE ITS PROVISIONS AND GOALS CAREFULLY.

I SHOULD POINT OUT, MR. CHAIRMAN, THAT JERRY PREMO IS NO STRANGER TO NORTH DAKOTA. LAST JANUARY, HE TRAVELED TO YOUR STATE TO VISIT MOTOR COACH INDUSTRIES. THAT VISIT RESULTED IN THE PURCHASE OF 700 COMMUTER BUSES FROM THAT NORTH DAKOTA FIRM BY NEW JERSEY TRANSIT. I BELIEVE THAT SET A RECORD.

IT'S A PLEASURE TO PRESENT JERRY PREMO TO THE COMMITTEE AND I COMMEND HIS TESTIMONY TO YOU.

THANK YOU MR. CHAIRMAN.

STATEMENT OF JEROME C. PREMO, EXECUTIVE DIRECTOR, NEW JERSEY
TRANSIT CORP., CHAIRMAN, AMERICAN PUBLIC TRANSIT
ASSOCIATION

ACCOMPANIED BY:

JACK R. GILSTRAP, EXECUTIVE VICE PRESIDENT, AMERICAN PUBLIC
TRANSIT ASSOCIATION

MICHAEL H. SETZER, GENERAL MANAGER OF TRANSPORTATION,
BISTATE DEVELOPMENT AGENCY

VICKIE SHAFFER, GENERAL MANAGER, TRISTATE TRANSIT AUTHORITY

Senator ANDREWS. Jerry, let me assure you that your prepared remarks will appear in their entirety in the record.

You can summarize them anyway you wish. I would like to get one question. What percent of your transportation cost is met at the farebox?

Mr. PREMO. Thank you, good morning, Senator. From a national perspective the farebox recovery is around 42 percent. The Federal aid share is in the range of 14 to 15 percent.

Senator ANDREWS. How about in New Jersey?

Mr. PREMO. In New Jersey we are around 55 percent out of the farebox. The Federal aid percentage of our total operating cost is around 9½ percent.

Senator ANDREWS. Thank you much.

Mr. PREMO. If I could introduce my associates, on my far left is Mike Setzer who is general manager for Transportation of the Bistate Development Agency which operates the bus system in the St. Louis area and is developing a longer term rapid transit plan in that community.

To my left is Vickie Shaffer, general manager of the Tristate Transit Authority in Huntington, W. Va. And, of course, you know Jack Gilstrap to my right, the executive vice president of APTA.

Recognizing the time constraints which you face, I would like to just touch on three or four points very quickly, Senator. The first of which is to say thank you.

As we rush from issue to issue and hearing to hearing we sometimes don't do a good enough job saying to the friends of public transit who have dealt in these very difficult times with budget issues, we don't also say thank you and the leadership which you have demonstrated personally and which this committee has demonstrated in wisely rejecting the administration's proposal a year ago to cut operating aid and one that we hope we can look forward to seeing in the spring of this year.

The fact of the matter is that we thought we had struck a deal on a 20-percent cut on operating aid as part of the Surface Transportation Assistance Act, but that would be it, that the 80 percent remaining funding levels would be available to us for the 4-year duration of the Surface Transportation Assistance Act.

Instead we see proposals to phase out operating aid and doing it in what we think is an unfair way, with no cuts in small areas, a 25-percent cut in middle size areas, and a 50-percent cut in areas above 1 million.

We have difficulty with that because it simply is a lack of logic that allows us in New Jersey, for example, to explain to a rider in a smaller part of our State why there is no cut in their operating aid but to the majority of our users, close into New York and Philadelphia and the New Jersey suburbs, why they should endure a 50-percent cut.

We think that the budget of the administration is inadequate; particularly inadequate in the context of the careful thoughtful needs analysis that the American Public Transit Association has coordinated in the last year.

We are not embarrassed to say there are some \$35 billion or \$36 billion in legitimate transit capital needs we foresee around this country. Not only for the new starts that are so desperately needed, for example, in Los Angeles and in other communities, but to fix up what we have in our commuter railroads, our subways, and our existing bus systems.

Our bus garages are in too many instances old trolley barns that are falling down and we need to get on with fixing them up. The testimony includes details on that program.

The cut of operating aid is one that I have touched on. The gap between authorizations and appropriations is growing at a dramatic rate. The \$880 million difference in formula grant funds that we see proposed in the budget is making sure that we don't put people to work because there are literally tens of thousands of people who could be well employed both in the supply industry and in the construction industry upgrading what we know sooner or later we have to do.

In the context of the DOT budgets now in the range of \$28 billion; yet transit is \$4 billion. That budget 4 or 5 years ago was \$23 billion and transit was around \$4 billion.

Senator ANDREWS. Let me point one thing out, however. You said the gap between authorization and appropriation, that is not quite true.

This subcommittee has appropriated the full amount of budget authority available to it in the transit capital fund. The budget authority is what has been capped and it has been capped with the approval and with the support of the authorizing committee in the trust fund.

I don't want to get too defensive of my colleagues on this subcommittee, but we haven't had that much wiggle room because we have been told that under the rules of the Senate there is no way we can appropriate over that level. We are for that.

As a matter of fact, Senator D'Amato, as you know, with Senator Lautenberg as a cosponsor, has introduced legislation to break that barrier and to get it up to \$1.3 billion which would be a great help.

Mr. PREMO. The point is well taken, Senator.

Senator ANDREWS. I don't want anybody to think that my colleagues, particularly my colleagues from the big cities, are delinquent in recognizing that we on this subcommittee are recognizing the needs of public transportation, which frankly is not a spending program as I have told groups so often, rather an investment program.

Mr. PREMO. Trying to put it in its broadest context, the various committees of the Congress: Authorizations, Budget, Appropriations, are all dealing with this issue.

The bottom line it seems to us at APTA is that we believe we have done a more comprehensive look at our investment needs than ever has been undertaken previously. And we think that \$4 billion in the context of a \$28 billion plus DOT budget, in the context of a \$700 billion Federal budget is simply inadequate and in some fashion we are trying to communicate to all those with whom we can communicate that fact that investing in public transit is an investment as you have so eloquently stated, an investment in a better America.

The chairman of this full committee, Senator Hatfield, at the Western meeting of the American Public Transit Association drove home this point as well. We are getting people two jobs while simultaneously creating jobs.

You mentioned the gas tax revenues, and a brief thought there. The Congressional Budget Office has said that 1.3 to 1.5 is going to be coming into that fund and all we are saying is that funds that come out of people's pockets and are set aside for public transit should be returned for use now while the buying power is greater rather than being essentially deferred and piling up in the U.S. Treasury.

We think it is time that this \$35 billion backlog be attacked and we have projects that are ready to go, not projects on the drawing boards about which we are giving this general thought.

Final conclusion in the transit budget; it is inadequate. Operating aid should not be cut. We thought we had already dealt with that issue. Transit means business as you well know and it means business for cities large and small.

We would like to think that better than we could come before this committee and argue the point, your remarks before our legislative committee in March said it all, that public transit investments are not spending levels per se, they are investments in a stronger and better America, large and small.

My associates and I would be happy to answer any questions you might have, Senator.

Senator ANDREWS. As usual you said it very well and very completely. We appreciate your appearance.

Mr. PREMO. Thank you very much.

[The statement follows:]

STATEMENT OF THE AMERICAN PUBLIC TRANSIT ASSOCIATION

INTRODUCTION

The American Public Transit Association represents nearly 300 bus and rail transit systems across the country which carry 94 percent of all transit riders in the United States. In addition, APTA's membership includes nearly 300 manufacturers and suppliers of transit equipment, consultants, contractors, state and local departments of transportation and planning agencies, and universities.

We are here this morning to discuss with the Subcommittee funding issues which we feel are critical if the objectives of the Surface Transportation Assistance Act of 1982 are to be fulfilled and if we are to make significant progress in meeting the transit needs of our local communities.

During the long deliberations on the Surface Transportation Assistance Act of 1982 and again in last year's debate and discussion over fiscal year 1984 transit funding levels, representatives of the industry called attention to the extensive nature of the nation's transit capital needs and the equally important operating requirements of the industry. Passage of the STAA represented a milestone and its provisions provide a very real opportunity to see the public transit needs of the nation's communities more fully addressed. Although we are certainly not satisfied with the final transit funding levels for the current year, which fell nearly \$400 million below authorized levels, we are pleased that Congress, under the leadership of this Committee, soundly rejected the massive reductions being proposed by the Administration.

In a recent interview in Fortune magazine, Budget Director Stockman displayed an apparent new-found sensitivity for both the will of Congress and the feelings of the American people that further massive reductions in domestic programs are neither desirable nor achievable. It is particularly noteworthy that he included specific mention of the federal transit program.

Quoting from the Fortune article in which a number of other domestic programs were mentioned, Mr. Stockman said, "...the point is that we have knocked on all those doors for three years and three budget rounds. And the result is people want to have mass transit subsidies,..." In community after community around the country you find this to be true; but more importantly, people want to see a level of financial commitment that will significantly improve our transit systems and services rather than simply maintain the status quo.

While we applaud the more realistic perspective that is evident in Mr. Stockman's statement, the Administration's fiscal 1985 budget proposal for public transit reflects a further withdrawal from the purpose and intent of the STAA; it slashes the operating assistance program 38% from authorized levels; it potentially underfunds the transit capital programs by as much as \$500 million in comparison to funds either available or authorized.

With this prospect lying ahead, our purpose today is to reconfirm the enormous scope of the current transit needs facing communities across the country and to restate the importance of increased transit investments to our overall economic and social well-being.

The Transit Industry's Legislative Program

Over the past several months transit industry leaders from across the country have come together to formulate a nine-point legislative program for the coming year. The nine-point program

contains industry recommendations on changes that are urgently needed in authorizing legislation this year, as well as recommendations on critical appropriations issues. The full text of the nine-point program is attached and contains the following key recommendations on fiscal year 1985 appropriations.

First, the Section 9 formula program which funds both capital and operations is the highest priority program for meeting the basic transit needs of the nation's communities, both urban and rural. As such, the Section 9 program must be funded at full authorized levels for both capital and operating assistance.

Second, pending increases in the authorized levels for the Section 3 discretionary capital program, which is funded from gas tax revenues in the Mass Transit Account of the Highway Trust Fund, funds in the Section 3 program must be made available at levels which fully commit all available Trust Fund revenues. Increases in the Section 3 program must not be used to substitute for maximum funding in Section 9.

Third, Section 3 funds should continue to remain available for rail modernization, new start system development and extraordinary bus capital needs. In a subsequent section of this statement the exact distribution of Section 3 funds among the types of major projects is proposed and explained more fully.

Finally, the Interstate Transfer Transit program in fiscal year 1985 should be funded at least at the \$335 million necessary to meet currently proposed project requirements.

The basis for these recommendations stems from a recently completed assessment of transit capital needs nationwide, and a comparison of these enormous needs with the level of assistance both authorized under the STAA and proposed in the Administration's budget for fiscal 1985.

The first section of our statement summarizes projected five year capital needs in the industry. The capital investment needed to support our nation's transit services is enormous -- over \$36 billion in the next five years. The current needs in the industry are very real and require a level of investment that is more than double the amount authorized from the Mass Transit Trust Fund and the Section 9 formula program combined.

We have approached the issue of needs in as thorough and probing a way as possible. In doing so, we have found that there is a high degree of certainty that the projects and needs identified can be carried out if the federal commitment to the intergovernmental transit partnership is maintained.

In the second portion of our statement we would like to review the Administration's fiscal 1985 budget proposal for transit in light of these projected capital needs, and to outline the prospects that face the transit industry should the full level of funding under the STAA continue to be reduced or diverted.

The analysis provides rather stark evidence that the Administration's proposals fall far short of enabling us to significantly reduce the backlog of transit capital needs, a prospect we find deeply disturbing.

The last part of our statement highlights other proposed changes to the Surface Transportation Assistance Act that were presented to the House Subcommittee on Surface Transportation in February of this year.

RESOLUTION
 Adopted by the
 AMERICAN PUBLIC TRANSIT ASSOCIATION
 Washington, DC
 March 11, 1984

The Board of Directors of the American Public Transit Association, acting at the Ninth Annual APTA Legislative Conference, has adopted the following resolution to guide the continuing federal commitment to public transit.

WHEREAS, Public transit is an essential public service, necessary to meet the mobility needs of our nation's urban and rural citizens, the economically disadvantaged and the elderly and handicapped; and,

WHEREAS, Investment in public transit stimulates employment by supporting or creating 7,500 jobs for each \$100 million of capital invested; and,

WHEREAS, Investment in public transit strengthens the economy by producing over \$3 of private business revenue for each \$1 invested; and,

WHEREAS, The Surface Transportation Assistance Act of 1982 provides for an increasing federal commitment for public transportation; and,

WHEREAS, The five year capital investment needs of the nation's public transit systems are \$36 billion, or more than three times the level of authorized federal support; and,

WHEREAS, The Section 9 formula grants program is the highest priority program for meeting basic bus and rail capital and operating needs.

Now, therefore be it resolved that the American Public Transit Association strongly urges:

- 1) Full funding of Section 9 to the authorized levels for both capital and operating assistance; and
- 2) Extension of federal transit program authorizations through 1987; and,
- 3) Extension of the 3-for-2, capital for operating assistance trade-in provisions through the full authorization period of the transit program; and,
- 4) Increased authorizations and appropriations for the Section 3 discretionary capital program at levels fully consistent with income generated in the Mass Transit Account of the Highway Trust Fund; and,
- 5) Recognition that these essential Section 3 increases must not be a substitute for maximum funding of Section 9 in that the combined funding from the two sources falls far short of meeting proven transit industry capital needs; and,
- 6) Continuing availability of all Section 3 discretionary funds from the Mass Transit Account to support rail modernization, new start system development and extraordinary bus capital needs; and,
- 7) Distribution of Section 3 discretionary funds be established for FY 1985 such that 43 percent is provided for rail modernization, 38 percent is

provided for new start system development, 10 percent is provided for extraordinary bus capital needs and 9 percent to meet varying capital needs that may arise;

Distribution of Section 3 discretionary funds be established for FY 1986 and subsequent years such that 40 percent is provided for rail modernization; 40 percent is provided for new start system development, 10 percent is provided for extraordinary bus capital needs, and 10 percent to meet varying capital needs that may arise; and,

- 8) Establishment of parity between new and formerly designated urbanized areas with respect to the availability and use of funds to support transit operations; and,
- 9) Funding for the FY 1985 transit Interstate Transfer program at least at current levels to fund critical bus, rail modernization and new start projects to avoid placing undue pressure on the Section 3 capital discretionary program.

These goals are basic and fundamental and it is essential that they be communicated directly by Association members to the Congress as it deliberates transit legislation this session.

TRANSIT CAPITAL NEEDS: 1984-1988

During the fall of 1983, APTA conducted an extensive survey of the nation's transit systems in order to provide a more detailed and up-to-date assessment of transit capital needs, nationwide. Responses were received from 186 systems representing a 75 percent response rate. The results cover the current projected capital needs of virtually all existing and proposed rail systems for the five year period, as well as the bus capital needs associated with over 80 percent of the nation's bus vehicle fleet.

As indicated in Table 1, the total reported capital needs of the transit industry exceed \$36 billion over the next five years. This projection is consistent with the capital needs estimates provided last year which indicated a 10-year capital requirement of over \$64 billion.

Table 1
FIVE YEAR TRANSIT CAPITAL NEEDS (Millions)¹

Project Type	Capital Needs	%
Bus	\$ 7,725	21.2%
Facilities	\$ 3,929	(50.9%)
Vehicles	\$ 3,796	(49.1%)
Rail	\$28,730	79.6%
Modernization	\$ 15,088	(52.4%)
Extensions	\$ 3,783	(13.1%)
New Starts	\$ 9,859	(34.3%)
TOTAL	\$36,455	

¹ 1984 dollars

In reviewing these projections it is important to note three points which reinforce the very real and urgent nature of these capital requirements. The first is the current condition of the industry's capital facilities and equipment. The second is the considerable extent to which the projected five year capital needs are associated with current levels of transit service. The third is extent to which these projections have included consideration of available matching funds and operating cost impacts.

Current Condition of Transit Facilities and Equipment

Five year projected capital needs directly reflect the current physical condition of existing capital plant and equipment. Data on the characteristics of the nation's bus vehicle fleet indicate that:

- Average fleet age is 8.6 years;
- 30% of the fleet, (15,400 vehicles) is over 12 years old;
- 21% of the fleet (10,500 vehicles) is over 15 years old;
- The immediate cost to replace vehicles over 12 years old exceeds \$2.3 billion.

The condition of the nation's rail rolling stock is similar:

- Of over 9,800 heavy rail vehicles:
 - the average age is 19 years;
 - 26% (2,545 vehicles) are over 25 years old;
 - immediate replacement of those over 25 years would cost in excess of \$2.5 billion;
- Of nearly 800 light rail vehicles:
 - the average age is 23 years;
 - 69% (555 vehicles) are over 25 years old;
 - immediate replacement of those over 25 years would cost in excess of \$470 million;
- Of 2,650 commuter rail vehicles:
 - the average age is 19 years;
 - 24% (643 vehicles) are over 25 years old;
 - immediate replacement of those over 25 years old would cost in excess of \$643 million.

In assessing the current condition of the maintenance and operating facilities serving the transit industry, the survey results show a similar pattern. Of 341 existing bus facilities identified:

- 22% are over 60 years of age;
- 33% are over 40 years of age;
- 17% have severe capacity shortages under current service conditions.

Of 112 rail maintenance and operating facilities identified:

- 39% are over 60 years of age;
- 56% are over 40 years of age;

It is clear that a very substantial portion of total capital needs throughout the industry are associated with equipment and facilities that have reached or exceeded their economic life.

The objectives of improving efficiency and productivity, of enhancing maintenance, of reducing operating costs, and of increasing the quality and reliability of service cannot be fully met if this capital investment backlog is not significantly reduced.

Needs Associated With Current Service Levels

The second major feature of the capital needs reported in the new survey is that the vast majority of these needs are associated with the maintaining of existing levels of service. Over 82 percent of the reported bus needs in the next five years are directly associated with maintaining current levels of service.

The same is true on the rail side. Modernization of existing systems and services represents over 50 percent of all rail needs. In addition over two-thirds of the reported new system and extension projects are already part of locally adopted transportation improvement programs (TIP's) and are designed, in part, to serve current travel demands which have overwhelmed local roadway networks and outstripped available transit capacity. This is particularly true in the fastest growing areas of the country.

In total, over 80 percent of the projected capital needs are associated with existing systems and services and current travel demands.

Capability to Support Projected Needs

The final significant feature of reported capital needs is the extent to which survey respondents were forced to consider very difficult questions related to the availability of matching funds and the impact of proposed capital investments on operating budgets. Although some degree of uncertainty typically surrounds these issues when future conditions are assessed, survey results indicate that:

- the vast majority of respondents do have in hand or can secure matching funds for capital improvements necessary to maintain current levels of service;
- a very small percentage of respondents indicate that they have yet to secure matching funds for capital needs associated with service expansion or new systems;
- nearly half of the respondents indicate that required capital investments will not increase their operating costs significantly.

In general, these observations indicate that the projected capital needs realistically can be programmed and carried out if the federal role in transit capital investment is maintained.

Summary of Bus Capital Needs

Survey results indicate that nearly \$8 billion will be needed to meet the capital requirements of the nation's bus systems.

These needs are almost equally split between vehicles (49.1%) and facilities (50.9%). Since survey respondents operate 81 percent of the nation's bus vehicle fleet, it is conceivable that total bus capital needs could exceed \$9 billion over the five year period if the requirements of systems not reporting are comparable to those that did respond to the survey.

Bus Vehicles. Projected bus needs include the purchase of over 23,000 vehicles in the next five years, or an average of 4,600 vehicles per year. (This is consistent with the highest single year of actual bus purchases under the UMTA program, of 4,437 vehicles in 1981, before the current Administration began to reduce transit funding. Table 2 indicates the make-up of the reported vehicle needs by type and whether new or rehabilitated vehicles are desired.

Table 2
FIVE YEAR BUS VEHICLE NEEDS: NUMBER OF VEHICLES

Type of Vehicle	New		Rehab		Total	
	#	%	#	%	#	%
Vans	1,121	5.4%	5	0.2%	1,126	4.9%
Small Bus	1,026	4.9	66	2.9	1,092	4.7
Medium Bus	635	3.1	32	1.4	667	2.9
Standard Bus	16,102	77.5	2,118	93.7	18,220	79.1
Articulated Bus	1,895	9.1	40	1.8	1,935	8.4
TOTAL VEHICLES	20,779	(90.2)	2,261	(9.8)	23,040	(100.0)
TOTAL NEEDS¹	\$3,354 mil.		\$171 mil.		\$3,525 mil.	
	(95.1%)		(4.9%)			

¹ Reported needs (\$3,525 million) are less than those in Table 1 because detailed breakdowns of total needs were not provided by all survey respondents.

As the table indicates, 35-40 foot transit buses with capacities ranging from 40 to more than 50 seats will remain the standard of the industry; the rehabilitation of old vehicles is expected to account for nearly 10 percent of five year vehicle needs.

Results from the needs survey also allow a breakdown of bus vehicle needs among communities of various sizes. Table 3 illustrates the overall distribution of bus vehicle needs in three population categories and indicates the much stronger reliance of small communities on smaller vehicles.

Table 3
FIVE YEAR BUS VEHICLE NEEDS BY URBANIZED AREA SIZE

Size of Urbanized Area	% of Total Needs	New Vehicles as a % of Total	Vehicle Needs by Size		
			Standard	Small/ Medium/ Van	Articulated
Over 1.0 million	78%	91%	82%	2%	10%
200,000 to 1.0 million	18%	80%	75%	21%	4%
50,000 to 200,000	4%	86%	54%	45%	2%

Bus Facilities. Survey respondents indicated that funding for 272 major bus maintenance and operating facility projects is needed over the next five years. Nearly 130 transit systems reported maintenance facility needs totaling more than \$2 billion; nearly 170 systems reported needs for related capital equipment and other capital improvements totaling another \$1.9 billion over the five year period. Table 4 indicates the nature of these reported facility needs by project type. Of the 272 facility projects reported, 117 or 43 percent, include improvements to heavy maintenance facilities and equipment.

Table 4
FIVE YEAR BUS MAINTENANCE AND OPERATING FACILITY PROJECTS

Project Type	New Facilities	Replacement of Old Facilities	Rehabilitation	Total
Total Projects	74 (27.2%)	75 (27.6%)	123 (45.2%)	272
Total Needs	\$752 mil. (37.4%)	\$876 mil. (43.5%)	\$384 mil. (19.1%)	\$2,012 mil.

Nearly half (45%) of the individual maintenance and operating facility projects represent major rehabilitation requirements, while the largest cost requirements (\$1.6 billion) are associated with new facility construction and complete replacement of currently obsolete facilities.

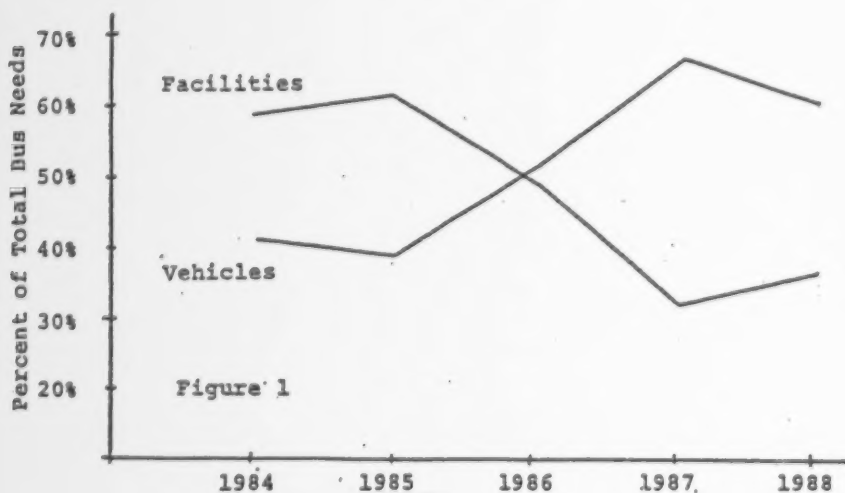
Table 5 summarizes \$1.9 billion in added capital investment for miscellaneous bus facilities and equipment. The needs reported in the miscellaneous bus categories represent a broad balance of requirements, most of which (computers, park and ride facilities, transfer facilities and bus lanes) reflect investments necessary to increase efficiency of system operations and management.

Table 5
FIVE YEAR MISCELLANEOUS BUS CAPITAL NEEDS

Type of Facility/ Equipment	Number of Systems Reporting Needs	Number/Amount of Facilities	Needs (million)
Computer and Communications	95	-	\$ 140
Park and Ride Facilities	47	255 facilities 54,347 spaces	\$ 307
Terminals Stations, Transfer Facilities	94	412	\$ 512
Bus Lanes	12	119 miles	\$ 310
Service Vehicles	131	3,057 vehicles	\$ 87
Administrative Facilities	29	29	\$ 80
Parts/Supplies	106	-	\$ 128
Other	-	-	\$ 334
TOTAL	169	-	\$1,917

Bus Capital Investment Timetable

The five year bus capital needs facing the industry do not fall equally in each of the five years, 1984-1988. Over \$5 billion in bus capital needs, or 65 percent occur in the first three years, 1984-1986, which corresponds with the length of the transit program authorization under the STAA. More significantly, there is a variation from year-to-year in the reported bus vehicle and facility needs. As indicated in Figure 1, bus facility needs are dominant over the immediate two years, and vehicle needs are dominant in the final two years of the five year period. This reinforces the critical need to move rapidly to restore bus maintenance facilities throughout the industry.



In reviewing the year-to-year mix of bus vehicle and facility needs in urbanized areas of various sizes, there are some important variations from Figure 1:

- the mix of bus vehicle and facility needs in areas over 1.0 million closely follows (and largely dictates) the overall pattern in Figure 1;
- in medium sized areas between 200,000 and 1.0 million population, the mix of vehicle and facility needs is more evenly balanced in the early years but there is a much more pronounced vehicle requirement in the out-years;
- in small urbanized areas under 200,000 population there is a more pronounced facility need in the early years which steadily declines and results in a much more pronounced vehicle need in the out-years.

These projected needs coupled with inventory information indicate that a substantial backlog of urgent bus capital improvements exists that cannot be reduced unless fully authorized capital funding levels can be provided and stability can be achieved and further cuts avoided in the federal operating program.

Summary of Rail Capital Needs

In discussing projected five year rail capital needs across the country, two major features are worth noting, the continuing urgency of our substantial rail modernization needs; and, the explosion in new system development.

With respect to rail modernization, our nation's rail transit systems and their patrons, continue to cope with outworn equipment and facilities. Despite the current condition of our existing capital plant, however, transit managers, policy makers, and local officials have begun, on a limited basis to halt and even reverse the deterioration of these systems and improve their performance. The ability to continue the kinds of rail modernization improvements that are essential, on the scale and timetable that is needed remains dependent, however, on the long-standing federal commitment.

It is vital to many of our nation's major urban centers and the people and businesses located in them, to commit the necessary resources to restore, rehabilitate and modernize our older rail transit systems. This is a well-recognized and broadly shared objective and will require a monumental effort. The full cooperation and commitment of all levels of government, is essential, particularly at the federal level.

The second point about our nation's rail transit needs is decidedly more positive but equally challenging. Today, there is more new rapid transit development taking place in the United States than at any time since the turn of the century. A variety of circumstances particularly population growth, have prompted communities across the country to carefully explore and fully commit themselves to a whole new generation of rail transit systems and services. Communities from Buffalo to Los Angeles and from Milwaukee to Dallas are now planning or constructing various types of rail transit systems. These commitments are based on the need to bolster local economies, to overcome intractable highway congestion, to meet population growth and shifts, and to enhance the quality of life and regional mobility in our urban areas while making inroads in the air pollution problem.

To the same degree that the extensive modernization needs of our older rail transit systems deserve increased support, we must find the means to promote and adequately support new system development. The dimensions of these combined needs are enormous.

Between 1984 and 1988, thirty-five (35) transit systems serving twenty-five (25) urbanized areas report rail capital needs of over \$28 billion. In addition, there are over a dozen other areas across the country with rail transit systems in the early planning stages whose capital needs do not at this time fall within the five year time frame under discussion.

Table 6 indicates the areas which are projecting major rail capital investments, over the next five years.

The total scope of reported rail capital needs over the next five years is summarized in Table 7, by mode and the type of improvements being proposed.

Table 6
AREAS REPORTING RAIL NEEDS: 1984-1988

Mode	Rail Modernization	Extensions to Existing Systems	New Systems
Heavy Rail	New York Chicago Philadelphia-New Jersey San Francisco Washington Boston Cleveland Atlanta	New York Chicago San Francisco Boston	Los Angeles Washington Baltimore Atlanta Miami
Light Rail	Philadelphia San Francisco Boston Pittsburgh Cleveland New Orleans	San Francisco Boston Pittsburgh San Diego	Los Angeles Detroit San Francisco San Jose Milwaukee New Orleans Portland Buffalo Sacramento Long Beach Orange County Jacksonville
Commuter Rail	New York-New Jersey Chicago Philadelphia Detroit Boston Caltrans-SF Pittsburgh	New York-New Jersey Chicago Detroit	

Table 7
FIVE YEAR RAIL CAPITAL NEEDS (Millions)

Mode	Rail Modernization	Extension to Existing Systems	New Systems	Total \$\$\$	%
Heavy Rail	\$ 9,354	\$2,907	\$6,238	\$18,499	(64.4%)
Light Rail	663	389	3,277	4,329	(15.1%)
Commuter Rail/Other	5,071	487	(334-DPM)	5,902	(20.5%)
TOTAL	15,088	3,783	9,859	28,730	(100.0%)
% of TOTAL	(52.5%)	(13.2%)	(34.3%)	(100.0%)	

Slightly more than half of the reported rail capital needs are associated with modernization of existing systems which will require over \$15 billion of capital investment over the next five years. The majority of the modernization needs--\$9.3 billion--are associated with heavy rail systems in eight urbanized areas which span the country. Another \$5.1 billion is needed to modernize commuter rail services.

Balancing these urgent and well-recognized modernization needs is over \$13.6 billion necessary to support new rail system development. This includes nearly \$3.8 billion in extensions and over \$9.8 billion to begin new system construction and complete portions of new systems already under construction.

Rail Modernization. Rail modernization needs fall into three major categories: vehicle requirements; improvements to existing maintenance facilities; and, improvements to a host of other physical facilities and support systems. Of the more than \$15 billion in overall modernization needs, detailed breakdowns indicate that:

- 68% is associated with facilities and support systems including track and right-of-way, stations, power and distribution systems, communications systems and related equipment;
- 23% is associated with rolling stock needs;
- 9% is associated with maintenance facilities.

The majority of reported modernization needs reflect long-delayed improvements onto the nation's heavy rail and commuter rail systems.

Rail Rolling Stock Modernization. More than 4,400 rail vehicles, require replacement or major rehabilitation over the next five years. Another 315 are needed to increase current levels of service to meet existing demand. Table 8 summarizes the nature of the rail rolling stock requirements.

Table 8
FIVE YEAR RAIL ROLLING STOCK MODERNIZATION NEEDS

	Type of Improvement			Total
	New Replacement Vehicles	Rehabilitation of Existing Vehicles	New Expansion Vehicles	
Number of Vehicles	1,430 (30%)	2,980 (63%)	315 (7%)	4,725
Reported Cost (millions)	\$1,650 (51%)	\$1,300 (40%)	\$300 (9%)	\$3,250

Maintenance Facility and Other Modernization Needs. Rehabilitation and modernization of existing physical facilities and support systems account for the vast majority of total rail modernization needs. Included are reported needs totalling over \$1.1 billion for rail maintenance facilities and another \$9.4 billion necessary to renovate and modernize track and right-of-way, stations, power and distribution systems, communications systems and related facilities and equipment. Table 9 summarizes the breakdown of reported rail facility and related equipment needs.

Table 9
FIVE YEAR RAIL MODERNIZATION FACILITY NEEDS

	Number of Facilities	Reported Cost (millions)	%
Maintenance Facilities	65	\$ 1,150	11%
Track and Rights-of-Way	-	3,900	36%
Stations	183	1,500	14%
Power and Distribution	-	1,400	13%
Communications and Control	-	1,650	15%
Other	-	1,000	9%
TOTAL		\$10,950	

Extensions and New Rail Systems

Over \$13 billion will be required in the next five years to support well over 300 miles of proposed extensions to existing rail systems and new system development. Extension and new system needs reported for the five year period include 32 projects located in 22 areas of the country. Table 10 provides a further breakdown of these needs.

Table 10
FIVE YEAR RAIL EXTENSION AND NEW SYSTEM NEEDS

Project Type	Number of Projects	Funding Needs (millions)	%
Extensions to Existing/Old Rail Systems (1)	7(a)	\$ 2,300	17%
Completion of New Systems Under Construction	5(b)	1,050	8%
Extensions to New Systems (2)	9(c) (87 miles)	4,300	32%
New Systems Not Yet Under Construction	11(d) (105 miles)	5,700	43%
TOTAL	32 (307 + miles)	\$13,350	

(1) Systems in operation before 1975

(2) Systems in operation after 1975

(a) New York/New Jersey, Chicago, San Francisco, Boston, Pittsburgh

(b) Washington, Baltimore, Atlanta, Portland, Buffalo

(c) Detroit, San Francisco, Washington, Baltimore, San Diego, Atlanta, Miami

(d) Los Angeles, Long Beach, Orange County, Detroit, Miami, San Jose, Milwaukee, New Orleans, Sacramento, Jacksonville.

Timetable

The timetable for projected rail capital needs between 1984 and 1988 indicates relatively consistent annual requirements in all categories:

- Reported modernization needs range between \$2.7 billion and \$3.3 billion per year, with somewhat higher levels from 1986 through 1988;

- Reported new system needs begin at \$1.3 billion in the current year and level off at \$2.1 billion per year, 1985 through 1988;
- Reported extension needs increase from approximately \$450 million in 1984 to over \$1 billion in 1988.

COMPARISON OF COMBINED BUS AND RAIL CAPITAL FUNDING REQUIREMENTS AND AUTHORIZATION LEVELS

During the coming three years for which transit capital funds are authorized under the Surface Transportation Assistance Act of 1982, the combined bus and rail transit capital needs are more than double the authorized capital funding levels. Table 11 compares total projected capital needs and authorized funding levels for each year, 1984 through 1986. Over the three year period, approximately \$10 billion is authorized compared to more than \$21 billion that will be necessary to support the projected transit needs of communities across the country. The result is a capital shortfall of over \$11 billion.

This comparison highlights the importance of providing funding at the full authorized levels, the urgent and critical need to seek new sources of capital funds, as well as the immediate importance of exploring mechanisms that increase flexibility in the use of available resources.

Summary

The transit capital needs of communities around the country are both considerable and well documented. In order for progress to be made in meeting these needs, each level of government, the private sector and transit patrons must continue to play a role. As part of this continuing partnership, it will be vital that the federal commitment contained in the Surface Transportation Assistance Act of 1982 be fully supported.

Table 11
CAPITAL NEEDS AND AUTHORIZED CAPITAL FUNDING LEVELS

Need and Funding Level	1984 Appropriations	1985 Authorizations	1986 Authorizations	3 Year Total
Total Capital Needs	\$ 6,618	\$ 6,979	\$ 7,616	\$ 21,213
UMTA Capital Funds				
Section 3	2,964	3,479	3,586	10,029
Section 9, Capital Only	<u>1,225</u>	<u>(1,100)</u>	<u>(1,100)</u>	<u>(3,425)</u>
Interstate Transfer	1,444	(1,989)	(2,086)	(5,519)
	295	390	400	1,085
3 year Shortfall at Full Authorization	\$-3,654	\$-3,500	\$-4,030	\$-11,184

THE FISCAL 1985 BUDGET AND TRANSIT FUNDING UNDER THE STAA

The second major portion of our testimony has to do with the Administration's budget proposal for fiscal 1985, which fails to recognize both the scope of the nation's transit needs and the objectives of the STAA.

The primary principal upon which the budget is based is a "virtual freeze on constant dollar domestic spending", the prospect of which has state and local officials, including the transit industry, in a renewed and understandable state of alarm. Despite the fact that domestic programs which are subject to control through the budget and appropriations process now represent less than 15 percent of the federal budget, the Administration continues to focus its deficit-reduction drive on this small portion of federal spending.

Within the Department of Transportation's overall budget for fiscal 1985 there is a proposed 4.5 percent increase over spending levels enacted in 1984. This increase is unevenly spread, however, with total budget authority for the highway programs being increased from 1984 levels by \$1.2 billion or 4.5 percent and the aviation programs being increased by over \$1 billion, or 22 percent. In contrast, total UMTA budget authority is being decreased from 1984 levels by \$177 million or 4.2 percent.

The comparison with 1984 levels is misleading, however. A more appropriate assessment of the proposed 1985 transit budget is based on the relationship of proposed funding levels to the capital needs summarized earlier. In addition, it is important to note the substantial degree to which proposed funding levels reflect a further withdrawal from the specific objectives and intent of the STAA. We see very little change in the short-sighted philosophy and approach the Administration has taken toward public transit over the past three years. While the proposed budget is somewhat more subtly crafted, it clearly continues two basic patterns which are of grave concern to the transit industry, the communities it serves, and to many members of the Subcommittee.

Elimination of Operating Assistance

The first disturbing feature is the continued insistence that federal support for transit operations be eliminated and that operating aid be cut \$330 million in fiscal 1985. The fact that the total withdrawal of operating assistance does not occur until 1989 is an inconsequential alteration of past Administration proposals. The lengthened timetable is meaningless since the proposal represents a 38 percent reduction from existing authorized levels in the first year--over twice the percentage cut that was made originally in fiscal 1983 -- and includes successive major reductions each year for all systems.

Federal assistance to transit operations represents roughly 13 percent of total transit system revenues. Over the past two years the transit industry and local government officials have provided Congress with ample evidence of the critical need to maintain this modest federal commitment. A huge volume of correspondence has been submitted to this Subcommittee by transit operators from across the country describing the effects of eliminating federal operating assistance. The specific consequences that were predicted by transit operators have, in fact, come true as the Administration has continually threatened and ultimately cut federal operating support. During the past three years fares have skyrocketed and ridership has declined. A few specific cases serve to illustrate the point:

<u>City</u>	<u>Fares</u>	<u>Ridership</u>
Chicago	+ 50%	down 194,000 daily
Cincinnati	+100%	down 8.5 million annually
Detroit suburbs	+ 67%	down 14,000 daily
Memphis	+ 21%	down 9.5 million annually
Richmond	+ 33%	down 3.3 million annually
Rochester	+ 40%	down 26,000 daily
San Diego	+ 30%	down 9.8 million annually
Washington, DC	+ 56%	down 13.4 million annually

These predictable results could continue unless Administration transit policy and budget are recast to recognize basic underlying relationships that make federal support for transit operations so vital:

- achievement of national objectives in the areas of economic stability and growth, the maintenance of an effective social "safety net" and progress on issues of energy and environment are a direct result of how well these same objectives are being met at the local and regional level;
- the economic and social well-being of local communities, in turn, is dependent on the quality and reliability of public transportation and a host of other elements of our public infrastructure;
- the full effectiveness of transit capital investments cannot be achieved through the withdrawal of support for their maintenance and operation; like any service, capital and operating aspects are integral parts of the whole and cannot be disassociated by those who assume only partial responsibility;
- no single level of government is capable of carrying the entire burden; the long-standing intergovernmental partnership remains vital.

It is well recognized that for most medium and small transit systems federal operating assistance represents a larger percentage of total revenue than is the case in larger systems. For medium and smaller systems, federal operating assistance may represent 30 to 40 percent of total revenue; by contrast, in many larger systems, federal operating aid represents 10 percent or less.

The Administration has shortsightedly used this percentage difference to justify cutting operating assistance to areas over 1 million population by 50 percent in 1985. While the percentage of total revenue received from UMTA in these systems may be small, the absolute amount of dollars is large and the amounts lost as a result of an immediate 50 percent cut cannot be easily substituted from other sources. Estimates indicate that of the \$330 million the Administration proposes to cut in 1985, over \$290 million, or nearly 90 percent, will be cut from systems serving the 30 urbanized areas that have populations over 1 million. In the space of five months remaining until the 1985 fiscal year begins it will be virtually impossible to develop stable or reliable sources from which to make up such cuts. The result could be chaos in many of our large cities where transit dependence is greatest or is growing most quickly.

Since it typically takes two to five years to enact or expand major state or local assistance programs, the drastic effect of the Administration's proposal is not materially changed by extending the phase-out period to 1989.

The point is that federal operating assistance is of critical importance to large and small systems alike. The Administration's proposal will be both extremely damaging in its impact and shortsighted with respect to the long-standing objectives embodied in the STAA.

Finally, public transit is not only a major element of our public facilities infrastructure, it is directly tied into our private economy. The expenditures made to support the maintenance and operations of public transit services flow to business and industry throughout the entire national economy. Each \$100 million of transit operating expenditures directly and indirectly supports 9,600 jobs and results in \$305 million in private business revenues. These effects reach virtually every industry group from business services, to heavy industry, to forestry and agriculture.

Aside from the immediate consequences of the withdrawal of federal operating assistance to our nation's transit systems and their patrons, the Administration's proposed reduction of \$330 million in federal operating aid in 1985 will jeopardize support for nearly 32,000 jobs and would eliminate over \$1 billion in business revenues, nationwide.

These consequences, all of which we have presented and discussed with Congress over the last two years, should represent ample justification to again reject the very shortsighted proposal to withdraw or reduce federal transit operating assistance.

Underfunding Transit Capital Investment

The second disturbing feature of the Administration's fiscal 1985 budget proposal is the degree to which the transit capital programs are underfunded. The Administration's claim of increased capital funding in 1985 is misleading and is made possible only because of the proposed \$330 million cut in operating assistance.

Based on 1984 appropriations and the Administration's 1985 budget, transit capital programs will have been woefully underfunded during the first two years of the STAA. Table 12 illustrates that a total of \$880 million in capital funds will have been denied under the first two years of the STAA as a result of last year's cuts in appropriations and the 1985 budget proposals.

If these patterns persist, the promise and potential of the STAA will have been largely neutralized. The opportunity to significantly reduce the massive capital investment backlog and hasten the improvement of transit reliability and performance will be lost.

Section 9. With respect to the UMTA Section 9 program, the Administration's budget proposal continues to result in major underfunding for capital investment. Section 9 authorizations for 1984 and 1985 total \$5,700 million. By holding fiscal 1985 Section 9 funding at the 1984 level of \$2,389 million, there is a cumulative two-year loss of \$922 million in the overall program. Of this two-year loss in total Section 9 funds, \$565 million of capital funding is being denied to urbanized areas--a 15 percent reduction in capital assistance from authorized levels.

Not only will the transit industry and its patrons be effected so will our entire economy. The loss of \$565 million in urgently needed transit capital expenditures withdraws potential support for over 43,000 jobs and nearly \$1.8 billion in business revenues from the national economy.

In its nine-point resolution, the transit industry has called attention to the fact that the Section 9 formula program represents the highest priority program for meeting basic bus and rail capital needs, both urban and rural. Because of the availability of Section 9 funds to all systems and areas, and because of the overwhelming

demands that will be placed on the Section 3 discretionary program, full funding of Section 9 is essential to make real progress in reducing our capital needs backlog.

Table 12
POTENTIAL LOSSES IN TRANSIT INVESTMENT: 1984-1985

Program	Projected 2 Year Loss
<u>Section 3 Capital</u>	
1984 Appropriations below Authorizations	\$ 25 million
1985 Unbudgeted increase in Transit Trust Fund receipts (CBO estimate)	\$290 million
TOTAL 2-YEAR SECTION 3 LOSS	<u>\$315 million</u>
<u>Section 9 Capital (Urbanized Only)</u>	
1984 Appropriations below Authorizations	\$350 million
1985 Budget below Authorizations	<u>\$215 million</u>
TOTAL 2-YEAR SECTION 9 LOSS	<u>\$565 million</u>
TOTAL CAPITAL LOSS 1984-1985	\$880 million
<u>Section 18</u>	
1984 Appropriations below Authorizations	\$11 million
1985 Budget below Authorizations	<u>\$16 million</u>
TOTAL 2-YEAR SECTION 18 LOSS	<u>\$27 million</u>

Section 18. The Section 18 program for small urban and rural areas is similarly effected. At full authorized levels the Section 18 program would be funded at \$86 million in fiscal 1985; under the proposed Administration budget, the level remains at \$70 million, which is \$16 million or 19 percent below authorizations. If the budget proposal were enacted, small urban and rural areas will have lost \$27 million over the first two years of the STAA, decline of 16 percent from authorized levels.

The fact that the Section 18 program is funded as a percentage of the total Section 9 appropriation is another major reason to provide full authorized levels of support in Section 9.

Section 3. In the case of the Section 3 discretionary capital program, the Administration has proposed funding at the \$1.1 billion level authorized by the STAA. This represents a reduction of \$150 million from the levels authorized for the current fiscal year. The most significant issue, however, is that current projections of gas tax receipts used to fund Section 3 now indicate that nearly \$1.4 billion may be collected in 1985 and the cash balance in the Mass Transit Account may exceed \$1.5 billion, \$300 to \$400 million over the current level of authorizations.

The likelihood that gas tax revenues would substantially exceed the initial \$1.1 billion authorization has been known for some time. The re-estimates of Trust Fund revenues represent a potential increase in available funds of \$680 million in 1985 and 1986 which, along with full funding of the Section 9 program, could put the transit industry back on a cycle of capital investment that would achieve real reductions in the current backlog of transit capital needs.

The principles that should be applied in seeking an increase in authorized Section 3 funding are the same as those that led Congress to deny the Administration's deferral of Transit Trust Fund spending for 1983: the revenues are already being collected from individual taxpayers; the needs to which they are dedicated are enormous, and with other changes to the federal program, can be fully committed in a timely and effective way. These same principles remain valid today and should form the basis of an amendment to the STAA during this session of Congress to increase existing Section 3 authorizations in line with expected trust fund revenues.

The addition of \$680 million in capital funds over the next two years would not only cover a significant portion of current unfunded capital needs, but would have two important added advantages. First, the availability of additional federal funds would assist in leveraging more state and local investment. This has been the pattern in the past and would hopefully be continued.

Second, the impact on job creation and retention, and general business revenues would be enormous. From the analyses and examples cited earlier, \$680 million in added capital investment would support over 52,000 additional jobs and over \$2.2 billion in added business revenues throughout the economy.

The possibility for and the broad-based benefits of increased Section 3 authorizations represent an exciting and positive prospect in this year's deliberations. We urge members of the Subcommittee to strongly support efforts this year to amend the STAA and to provide Section 3 authorizations and obligation levels which reflect the total level of revenues available in the Transit Trust Fund.

In the face of the overwhelming transit capital needs identified earlier, failure by the Administration to endorse this increase is a troublesome oversight, particularly from an Administration supposedly committed to fully supporting transit capital investment.

This reluctance to commit already available funds is also reflective of the Administration's continuing failure to utilize trust fund revenues as a new, additional funding source for transit. Passage of the STAA was premised on the use of the one cent dedicated to transit as additional funding over and above existing levels. This understanding was communicated to members of Congress repeatedly during consideration and passage of the STAA.

Successive Administration budgets have, however, failed to recognize this point. Total appropriations for UMTA in fiscal year 1982 were approximately \$3.8 billion. The addition of \$1.1 billion in gas tax receipts should have provided a total UMTA funding level of approximately \$4.9 billion. The fiscal 1985 budget proposal, however, totals only \$4.1 billion, or nearly \$800 million below the amount if trust fund receipts were considered to be additional funds, as intended by Congress.

The Administration has consistently and continuously used the gas tax funds to substitute for cuts in general fund revenues for transit, contrary to the agreements and understandings reached during deliberations on the STAA. Little progress can be made in meeting the nation's public transit needs if this substitution of one source for another is allowed to continue.

Split of Section 3 Funds

The distribution of Section 3 funds among rail modernization, new starts and bus projects has been a central issue since the passage of the STAA. Between 1979 and 1982, the federal transit

program-made approximately 55 percent of its resources available in the form of discretionary funds and 45 percent available through formula. Enactment of the STAA changed the structure of the UMTA program to provide over 70 percent of authorized funds from the new Section 9 formula program. This increased reliance on formula funding has long been sought by the transit industry as a way to provide a more predictable source of funds for routine capital and operating needs.

This very substantial shift in how funds are allocated has, however, necessitated a change in the past distribution patterns of Section 3 funds among the three major project categories. Arriving at an appropriate and well-justified new distribution of Section 3 funds has proven to be a difficult and complex task. Over the past several months industry leaders have thoroughly discussed and reviewed a full range of options for the distribution of Section 3 funds under the STAA. The basis for this review included the following major factors:

- 1) The estimated distribution of capital needs. Table 13 indicates the distribution of capital needs for each of the three major project types based on results of the exhaustive capital needs survey summarized previously;
- 2) The desire to maintain the distribution of funding among project types from all sources at levels generally consistent with overall funding distributions in recent years;
- 3) The need to consider the effect of substantially increased formula funds from Section 9.

Based on this review, industry leaders adopted on March 11, 1984, a recommendation that Section 3 funds in 1985, and 1986 and beyond be provided as indicated in Table 14.

Table 14
RECOMMENDED SECTION 3 SPLITS

Project Type	1985	1986 and beyond
Rail Modernization	43%	40%
New Start Projects	38%	40%
Bus Projects	10%	10%
Varying capital needs that may arise	9%	10%

This recent analysis and current recommendation validates, in large part, the position adopted in June of 1983 in response to requests by this Subcommittee. The impact of the recommendation is summarized in Tables 15 and 16. The tables indicate the amount and distribution of total funding available to each of the three major categories of capital projects from all sources. The most significant features of the analysis and the resulting tables are:

- 1) The provision of adequate funding levels in all programs is the single most important factor in meeting total transit needs; without an adequate funding base little advantage can be gained by shifting percentages in Section 3 splits;
- 2) The distribution of all funds among the three project categories generally reflects historic patterns in the UMTA programs;

Table 13
CAPITAL NEEDS: 1984-1987
(Millions)

PROJECT TYPE	1984		1985		1986		1987		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Bus*	\$2,383	33.9%	\$1,873	25.6%	\$1,807	22.5%	\$1,440	18.9%	\$ 7,503	25.0%
Mod	2,778	39.6	2,716	37.2	3,190	39.7	3,028	39.8	11,712	39.1
N/S	1,860	26.5	2,720	37.2	3,032	37.8	3,141	41.3	10,753	35.9
TOTAL	\$7,021		\$7,309		\$8,029		\$7,609		\$29,968	

* Reported bus needs expanded to account for unreported systems

ASSUMPTION: Authorized \$2,950 in
Section (9); \$1.5 in
Section 3; \$335 in
Interstate Transfer;
Continuation of 3/2 Trade

TABLE 15
1985 ESTIMATED DISTRIBUTION OF CAPITAL FUNDS

Total Section 9 Capital Apportionments (1,989)⁽¹⁾

To Mod Cities (\$1,383 est. apportionment minus \$318 operating) \$1,065
To All Other (\$1,481 apportionment minus \$557 operating) 924

Distribution/Use of \$1,065 in Mod Cities: \$372 bus
693 rail mod

Distribution/Use of \$924 in All Others: \$114 new starts
810 bus

Distribution/Use of \$1,420 in Section 3:⁽²⁾ \$142 bus (10%)
611 rail mod (43%)
540 new starts (38%)
127 discretionary(9%)

Distribution/Use of \$335 in Interstate Transfer⁽³⁾ \$ 19 bus
177 rail mod
139 new starts

Distribution/Use of \$250 for WMATA \$250 new starts

SUMMARY OF 1985 CAPITAL

	Section 9	Section 3	Interstate Transfer	3/2 Trade	WMATA	Total	%
Bus	\$ 372 810 \$1,182	\$ 142	\$ 19	\$ 30	---	\$1,373	34.1%
Mod	693	611	177	---	---	1,481	36.8%
New Starts	114	540	139	---	250	1,043	25.9%
Discretionary	---	127	---	---	---	127	3.2%
TOTAL	\$1,989	\$1,420	\$ 335	\$ 30	\$250	\$4,024	

(1) Section 9 Authorization: \$2,950
Minus Operating - 875
Minus Section 18 - 86
\$1,989 Est. Total Urbanized Area
Capital

(2) Est. Section 3 Authorization: \$1,500
Minus Admin., R&D etc. - 80
\$1,420 Est. Total Section 3 Capital

(3) Assumes same mode split as 1984, based on estimates from individual systems

ASSUMPTION: Authorized \$3,050 in
 Section 9; \$1.5 in
 Section 3; \$335 in
 Interstate Transfer;
 Continuation of 3/2 trade

Table 16

1986: ESTIMATED DISTRIBUTION OF CAPITAL FUNDS

Total Section 9 Capital (\$2,086) ⁽¹⁾	
To Mod Cities (\$1,430 apportionment minus \$318 operating)	\$1,112
To All Other (\$1,329 apportionment minus \$557 operating)	974
Distribution/Use of \$1,112 in Mod Cities:	\$388 bus 724 rail mod
Distribution/Use of \$ 974 in All Others:	\$120 new starts 854 bus
Distribution/Use of \$1,420 in Section 3: ⁽²⁾	\$142 bus (10%) 568 rail mod (40%) 568 new starts (40%) 142 discretionary (10%)
Distribution/Use of \$335 in Interstate Transfer ⁽³⁾	\$ 19 bus 177 rail mod 139 new starts
Distribution/Use of \$250 for WMATA	\$250 new starts

SUMMARY OF 1986 CAPITAL

	Section 9	Section 3	Interstate Transfer	3/2 Trade	WMATA	Total	%
Bus	\$ 388 854 \$1,249	\$ 142	\$ 19	\$ 30	---	\$1,433	34.87
Mod	724	568	177	---	---	1,469	35.6%
New Starts	120	568	139	---	250	1,077	26.1%
Discretionary	---	142	---	---	---	142	3.4%
TOTAL	\$2,086	\$1,420	\$335	\$ 30	\$250	\$4,121	

- (1) Section 9 Authorization: \$3,050
 Minus Operating - 875
 Minus Section 18 - 89
 \$2,086 Est. Total Urbanized Area Capital
- (2) Est. Section 3 Authorization: \$1,500
 Minus Admin., R&D etc. - 80
 \$1,420 Est. Total Section 3 Capital
- (3) Assumes same mode split as 1984, based on estimates from individual systems

- 3) The retention of a portion of Section 3 funds for use to support varying projects as needs arise provides important flexibility to respond to unanticipated conditions and circumstances;
- 4) Maximum funding of the Section 9 program is the most important factor in insuring adequate support for bus projects (each \$100 million added in Section 9 funds provides \$60 million for bus; each \$100 million added to Section 3 provides \$10 million for bus).

Interstate Transfer Transit Program

Another major concern stemming from the Administration's fiscal 1985 budget proposal is the degree to which the Interstate Transfer Transit program is underfunded. Despite the fact that the STAA authorizes \$390 million for fiscal 1985, the Administration has proposed only \$250 million. This represents a 36 percent reduction from authorized levels and a reduction of 15 percent from the \$295 million appropriated in 1984.

Twenty cities depend on Interstate Transfer Transit funding to carryout major projects that are either programmed or already underway. A survey of these cities done in the last month indicates fiscal 1985 interstate funding requirements of \$335 million, or \$85 million more than the Administration's proposal.

The rationale provided by the Administration for its reduced level of funding is based only on the intention to complete Interstate Transfer Transit projects simultaneously with the Interstate highway program. This rationale ignores the more important need for local communities to complete transfer projects in as expeditious and economical a way as possible within the fixed amount of funds owed to them by the federal government.

Delays in allocating these funds will slow project implementation, increase project costs totally at the expense of the local government, and increase pressure on the Section 3 program at the federal level. Interstate Transfer Transit appropriations should be based on needs assessment data rather than on an arbitrary desire to promote a parallel timetable with the Interstate Highway program. The estimated \$335 million required in fiscal 1985 falls well below authorized levels and should be the basis for program appropriations in 1985.

Selection of Major Capital Investments. The considerable transit capital needs highlighted earlier and the substantial shortfall that exists even at full authorized levels pose a difficult problem with respect to how decisions to fund individual projects should be made. With respect to the process by which rail modernization projects should be supported, the extensive study that is now underway by UMTA should provide some valuable insights later in the year. With respect to the funding of new systems, however, the difficult issues of establishing a workable and fair project selection process and criteria is still unresolved.

There is no question that consideration of cost-effectiveness and the degree of consensus at the local level should play a part in funding decisions at all levels of government. However, with respect to the development of a more formal and mathematically precise project evaluation process on which funding decisions would be based, there are a number of issues that must be considered.

The most difficult problem is that projected needs far exceed available resources. Survey results project five year new system needs at \$9.8 billion; if the current level of \$400 million in new start funding from Section 3 were to remain constant through 1988, only \$2.0 billion would be available, or roughly 20 percent of projected needs.

The degree to which a precise mathematical analysis can or should be relied on to reduce \$9.8 billion of demand down to match \$2.0 billion in available resources is of major concern. To expect a rigorous mathematical analysis to hold-up under the pressures of dismissing 80 percent of the anticipated needs seems unworkable and unrealistic. This is particularly true since narrow "economic efficiency" elements which could logically form the basis of such a process are, by themselves, inadequate and incomplete for the purpose of evaluating major transit investment decisions.

Certainly, a more clearly articulated and consistently applied set of major investment criteria is needed at the federal level. Not only would this clarify decision-making, it would also enable local officials to plan and program projects with a better understanding of the likelihood and level of federal support to be expected.

The American Public Transit Association recognizes the need to assist Congress in its decision-making by moving toward a process whereby new start projects are analyzed and evaluated on their merit. Although UMTA's proposal for a new evaluation process has not been released nor its specifics made known, it presumably will include the application of objective criteria which in some instances should be used to evaluate projects for funding. It must be recognized, however, that rigorous mathematical yardsticks have their limitations and that more subjective factors must also be given consideration. Not all cities are alike in their needs, their demographics, their fiscal resources or their geographic characteristics, etc. Need, in all its aspects, and other circumstances both tangible and intangible, must be considered in any process used to make commitments to new systems. In our haste to be rigorous in our analytical approach, we should not be blind to the full range of factors that need to be taken into account.

OTHER RECOMMENDATIONS FOR THE TRANSIT PROGRAM

The analysis of how the first two years under the STAA may play themselves out based on projected capital needs and the Administration's budget proposals is sobering. It is evident that the very real capital needs of the transit industry far exceed authorized funding levels. For that reason there are a number of critical adjustments that can and must be made in the federal transit program to: 1) maximize the availability of funds; and 2) provide increased flexibility in the use of those funds to meet both capital and operating needs.

Toward these ends, APTA on behalf of the public transit industry, and both rural and urban communities across the country has recommended to the House Committee on Public Works and Transportation that the following legislative proposals be enacted this year to ensure the most immediate and effective use of all available resources. While these recommendations may fall outside of the immediate scope of current deliberations on transit appropriations, they are included here to provide further background on several items in the industry's nine-point program that were not fully addressed above.

We urge Subcommittee members to strongly support these proposals when new authorizing legislation is considered in the House later this year.

Extension of the 3-for-2 Capital-for-Operating Trade Provisions

On behalf of the transit industry, APTA strongly urges that authorization of the 3-for-2, capital-for-operating trade provision under Section 9(e)1 of the STAA, be extended for the full authorization period of the STAA. The importance of retaining this feature of the program cannot be overstated, particularly

in light of the operating assistance cuts enacted in 1983 and the further 38 percent reduction being sought by the Administration for fiscal 1985.

The need for extending the 3-for-2 trade provision can be supported on several grounds:

- it promotes a degree of local flexibility in the transit program that has long been sought by the industry, Congress, state and local officials, as well as the Administration;
- it is essential during the two-to-five year period typically necessary to develop and enact workable new state and local sources of transit assistance;
- it has proven vital to nearly 70 systems which made use of the trade provisions in 1983.

Each of these factors deserves full consideration and together they provide the strongest possible justification for extending the 3-for-2 trade provision.

Local Flexibility. There is a broad consensus that local officials and transit managers should be given increased authority to respond to the varying needs and circumstances that exist at the local level. No where is this need more important than in exercising maximum discretion in how available financial resources should be balanced against local capital investment and operating needs.

While the overall capital requirements of the transit industry are enormous, they vary widely among systems of different sizes and in different locales. Also, for many systems, the size of major capital needs is not uniform from year-to-year. Systems which have recently purchased new vehicles and/or built new maintenance facilities particularly medium and smaller systems, may not have a substantial or continuing capital requirement for some years after.

Instead, meeting the constant operating requirements of many such systems poses the single most severe threat to maintaining basic transit services.

Under these circumstances, the opportunity to convert a portion of federal capital resources to meet operating needs is both desirable and prudent. In many cases, the local option to trade capital for operating funds under the 3-for-2 provisions may be vital to the short-term survival of existing systems.

Continuation of the 3-for-2 trade provision is perhaps the single most important step that could be taken to demonstrate the federal interest in increasing local flexibility.

Federal Flexibility. Along with the obvious advantages to transit systems locally, extension of the 3-for-2 trade provision also promotes an important degree of flexibility at the federal level.

Currently, the 3-for-2 trade results in the return to UMTA of \$1 in capital funds when \$2 are converted to operations. Since overall capital needs so greatly exceed available capital resources, the trade provides UMTA with additional discretionary capital funds to support projects that could not be funded either out of Section 9 or from Section 3. Initial figures from UMTA indicate that \$14 million dollars in capital funds were recovered in fiscal 1983 from the trade and were made available for redistribution to systems whose capital requirements exceeded available program funding.

This added flexibility at the federal level is just as significant as it is at the local level, if scarce transit resources are to match widely varying needs.

Transition While State and Local Transit Legislation is Considered. The 3-for-2 trade provisions were originally built into the STAA to ease the transition to a new federal program structure that included a 16 percent cut in federal operating assistance. Even if the full authorized level of operating assistance is provided, there will be a significant real loss in the purchasing power of available funds. The \$875 million available in 1983 will be worth only \$786 million in 1985 -- already an effective 10% reduction. As a result, the original rationale for the 3-for-2 trade remains important -- a transitional feature within the federal program.

It is much more important, however, to view the extension of the 3-for-2 trade as a vital transition feature in view of the considerable amount of time often required to enact state and local funding increases. Numerous recent examples exist which indicate it takes 2-5 years or more to introduce and enact new or expanded state or local transit assistance programs.

Despite the euphoria surrounding the projected upturn in the economy, many state and local governments are still facing difficult budgetary problems and will continue to do so for several years. Recent reports from the National League of Cities and other groups confirm the continued difficult times ahead. There is little likelihood of major increases in state and local government expenditures; many may be forced to reduce spending still further.

The situation seems clear. The transition to increased state and local support for transit is often extremely slow, despite public attitudes that suggest a strong willingness to maintain or enhance basic transit services. The extension of the 3-for-2 trade provisions of the federal program through 1986 is an essential transitional element in any strategy which is based on an assumption of increased state and local support.

1983 Experience in the 3-for-2 Trade. Perhaps the best measure of the importance of the 3-for-2 trade is the experience in 1983, the first year it was available. A total of 67 systems opted to trade capital funds for operating use.

In reviewing the 1983 experience it is interesting to note that systems which exercised the option to trade were almost equally split in terms of population size: 36 systems were from areas over 200,000 population and 31 systems were from areas under 200,000.

By far the most significant feature of the trades, however, was the extent to which systems traded to the maximum allowable level (100 percent of 1982 operating assistance levels). Fifty-six of the 67 systems--84 percent--were compelled to trade fully up to the maximum level, indicating that the trades were not carried out to cover small marginal budgetary shortfalls.

It is clear from this experience that the availability of the 3-for-2 trade option was a factor of immediate and critical importance for a large number of systems. It is equally apparent that the conditions which made the trades necessary in 1983 will not change significantly in the next several years. Consequently, the trade provisions of Section 9(e)1 should be extended for the full authorization period of the STAA.

Multi-Year Commitments and the Extension of Section 3 Authorizations to 1987. Another major recommendation is that a new process be developed that would allow firm, multi-year capital commitments to be made out of the Section 3 program. The importance of this proposal stems from several factors.

The complex capital improvement projects that are funded from Section 3 require careful planning, programming and budgeting on a multi-year basis. A few systems around the country have begun to expand their approaches to capital finance by marketing "revenue anticipation notes" based on farebox receipts and "grant anticipation notes" based on state and local commitments. These mechanisms make available a required stream of capital funds at the earliest stages of a major project, and/or in proper coordination with other sources of financing, and/or on a schedule that allows projects to proceed on the most economic schedule.

The critical feature of these mechanisms is that they are based on binding commitments which insure: a) their marketability; and 2) lowest possible interest expense.

Despite these new efforts, the federal support from Section 3 remains the largest source of capital funding for major projects. The existing UMTA commitment mechanisms (Full Funding Contracts, Letters of Intent) do not, however, constitute a firm, recognized obligation or binding commitment. As a result, borrowing instruments based on FFC's and LOI's cannot be rated, marketed or sold to allow future federal funding streams to be advanced to best match project financing and construction schedules.

A viable approach is to reformulate or redefine the current UMTA commitment processes and vehicles in a way that clearly establishes a firm, binding, multi-year commitment of federal funds. As one financing house put it recently, "an obligation secured by an enforceable contract with the Federal Government would be an extremely efficient means of leveraging the Federal participation. Such a bond would command the lowest possible rates in the...market and could be sold in any amount without disruption in the market or burden on the taxpayers."

Beyond the cost-reduction and economic-efficiency arguments, the establishment of a firm, multi-year commitment process as soon as possible is vital to balance growing demand with projections of limited available funds particularly in Section 3. If held at current levels, new systems would receive only \$400 million in federal aid per year. In contrast, capital investment needs for new systems and extensions range from \$2 billion to \$3 billion per year.

This mismatch between needs and available resources requires that individual systems which are ready to proceed to design and construction be given maximum flexibility in marshalling all available resources and adjusting financing schedules to suit carefully developed construction phasing. The ability to advance future year federal commitments through a firm, marketable multi-year federal commitment is essential to prudently manage the investment timetables of major projects.

As a necessary adjunct to the design of a firm, multi-year funding mechanism, it is essential to extend the authorization for Section 3 through 1987 at the increased levels noted earlier. This would assist in creating the funding base, in terms of length and size, that would be required to take fullest advantage of the multi-year commitment mechanism. The added certainty that trust fund resources will be available and committed over a three year period, rather than over two years as now authorized, is important to the success of any multi-year commitment process.

Finally, the extension of Section 3 authorizations through 1987 is a logical immediate step since the collection of gas tax revenues is already authorized through 1988 under Title V of the Surface Transportation Assistance Act of 1982. Because the revenue source for Section 3 is already in place for the three year period, the authorization for the Section 3 program itself should be extended through the same time period.

We share the Subcommittee's interest and that of Congress in seeing that the newly dedicated sources of transit funding are efficiently and effectively committed to meet the nation's sizeable transit capital needs. We look forward to assisting in the development of a firm, multi-year funding mechanism and urge you to support legislation this session which would extend the Section 3 authorization to make such a process work.

Parity in the Treatment of New Urbanized Areas. A final recommendation that needs legislative action this year is the need for amendatory language that would restore equity for new urbanized areas with respect to their operating assistance limitations under Section 9(k)2.

As a result of the 1980 census, 94 new urbanized areas were added to the prior list of 279. Because the areas received no operating assistance apportionment under Section 5 in 1982 on which to base their subsequent operating assistance limits, Section 9(k)2 included language that limits the amount of Section 9 funds that can be used for operations in these areas to 40 percent of their Section 9 apportionment.

The 40 percent figure was arrived at because it provided a level of operating support to new areas that was comparable to the limits applied to already existing areas in the under 200,000 population group. The estimates used to establish this parity, however, were based on authorized levels of Section 9 funds, while the statutory language inadvertently requires the 40 percent to be applied to appropriated levels of funding. As a result of Section 9 appropriations being cut \$361 million below authorized levels, operating assistance for new urbanized areas has been cut below the levels of pre-existing urbanized areas.

To reestablish parity between new and old urbanized areas it is necessary to amend Section 9(k)2 to base the 40 percent limit on authorized levels.

Training and Professional Development Needs in the Transit Industry. One of the most persistent and pressing problems facing the transit industry is the need to attract, develop and retain an increasingly skilled workforce at all levels.

Transit systems in the United States provide direct employment to about 200,000 persons involving a wide range of skills and responsibilities. These include not only the bus and train operators, conductors, ticket agents, information and security staff, but all the support staff covering a complex array of planning, supervisory, management and maintenance functions. In addition, there are the middle and lower management echelons, top management and governing Board Members who play vital and increasingly sophisticated roles in the operation and management of transit services.

The multidisciplinary requirements of today's transit operations merely reflect the complexity of the industry and its mixed obligations of meeting the private sector objectives of cost-efficiency in operations and the social objectives of serving the community according to the local needs and desires.

Unfortunately, in the past, training and professional development opportunities available to or specifically targeted for the transit industry by UMTA have in large measure lacked focus, resources and have been designed with little involvement of the industry itself. In many instances, available programs and courses are not well-suited to or are not relevant to the specific and specialized needs of the industry.

In recognition of this very significant problem, which has also been of concern to Congress and this Committee, APTA is embarking on a major, comprehensive effort. We will begin a review of the industry's training and professional development needs, identify the diverse opportunities now currently available and to recommend and assist in the steps to coordinate transit training and professional development activities and design new programs.

In the last month, we have begun discussions with UMTA Administrator Stanley on a proposal which invites UMTA to join forces with APTA in this very important undertaking. Because of the importance of this issue we hope to keep the Subcommittee abreast of its progress and hope members of the Subcommittee will actively support this much needed effort.

Other Technical Corrections and Issues. The proposals discussed above are those that the industry feels are of greatest significance and will have the most immediate impact in meeting the nation's transit needs. We urge that these recommendations be acted on this session to allow for their implementation at the earliest opportunity.

In addition to the proposals presented above, however, there are a number of other aspects of the federal transit program in which important changes should be considered. These include issues of a legislative nature as well as issues related to federal regulations and program procedures.

Legislatively, we would like to review how the matching requirements within the program of projects required under Section 9 might be made more flexible. Consideration should also be given to possible reduction in the 1% cost ceiling applied to associated capital maintenance items. With respect to regulatory matters, we would hope that Departmental decisions on the issuance of final 504 regulations will more closely reflect the very important principals that were enumerated in the proposed rule but that were strongly contradicted in the regulatory language itself. Finally, there are a number of procedural issues effecting program administration that require further clarification and revision.

Additional items and issues are certain to surface as we gain more experience in the implementation of the new transit program under the STAA.

Mr. Chairman, thank you for providing us with the opportunity to bring before the Subcommittee the industry's recommendations on fiscal 1985 funding and other significant issues facing the transit industry. We urge your prompt action and support for these recommendations and we look forward to working with you and members of the Subcommittee in ensuring that promise of the STAA is fully realized.

CALIFORNIA DELEGATION—OPPOSITION TO LOS ANGELES SUBWAY SYSTEM
STATEMENT OF HON. BOBBI FIEDLER, U.S. REPRESENTATIVE FROM
CALIFORNIA

Senator ANDREWS. Our next witness is the Honorable Bobbi Fiedler who is going to testify on Los Angeles metro rail. Welcome again to the subcommittee, Representative, good to have you here.

Ms. FIEDLER. Thank you very much, Mr. Chairman, for the opportunity to testify again. As you recall, last year I was here testifying against funding for the Los Angeles subway system and I know that is an unusual thing before this committee for somebody to be saying, don't spend the money. But I am here again to say the same thing.

In addition to my opposition to the expenditure of these funds, I am supported by the majority of the Southern California Republican Delegation and also the chairman of the California Assembly Transportation Committee, Assemblyman Bruce Young, whose testimony I would appreciate if the Chairman would permit to be included.

Senator ANDREWS. It will be included in the record immediately after yours.

Ms. FIEDLER. And I think it has some worthwhile thoughts and ideas from someone who is involved directly in the appropriation decision-making process in the California State legislature.

He has vowed that he will not permit any legislation to go through his committee and get passed until such time as an investigation, which he is in the process of undergoing, has been completed because he is personally convinced that this project should not be built.

And, of course, much of the 38-percent local share funding will come as a result of some of the legislation that will go through the State legislature, so this is a very important point in terms of the committee's look at whether or not the RTD and those people who are strong supporters of this project can, in fact, actually meet that 38-percent share.

Right now they are having some problems. They are talking about doubling the one-half cent sales tax in Los Angeles. They are talking about doubling the fares for the buses, which already are carrying a large number of southern Californians within the County of Los Angeles.

And the reason that they are talking about doubling those bus fares is because they need those funds that are currently being used for offsetting the costs of bus fares to go into the subway project which will serve only a small segment of the community.

In addition to that, they are also promising that that one-half cent sales tax can be used to help subsidize a number of other projects in other parts of the city. So what they are doing is they are promising that money's use in a number of different ways.

But on top of those promises, in addition to that, they are also making an effort from the State legislature to bond those funds so on one hand they are saying that we will be able to use it for the subway, we will be able to use it for at least \$3 billion in additional spending

which they claim they are going to be coming back to you for; and at the same time they are bonding those very funds which they anticipate using so that they will be obligated in the future.

On top of that, they have had some problems with some of the local representatives in the city council in Los Angeles and made an agreement with them regarding a benefit assessment district.

One of the city council members was very concerned about the problem about taxing residential properties in his particular district, so they agreed only to tax the business properties in the area, which is also those funds which they anticipate using as a part of their 38-percent share.

The reality of that, even according to the person who happens to have the bill before the State legislature, is that that violates the State constitution in California because California does not have a split-role tax situation where they can tax businesses and residences in different ways.

And according to the legislative analysts that is unconstitutional and I am convinced that when they go to court they are going to end up having that thrown out and consequently that 100-some odd million dollars which they had hoped to be able to use to act as a part of that 38 percent share will also not be available.

And I think those are legitimate problems which this committee needs to consider. Another bill that you might be interested in, because I know you are interested in a fiscally conservative approach regardless of the makeup of these particular projects, you hope that they can be built in as cost-effective a way as possible, and that is that there is now a bill in the State legislature the RTD hopes would pass that would eliminate the necessity on some components on this particular project for competitive bidding, something that no thoughtful person in this day and age of deficits could ever consider supporting.

One other component of that particular project is that they had hoped to be able to condemn property at Union Station, which represents the terminus of this particular project. That property they expected to cost about \$20 to \$25 million.

The three companies that jointly owned the property went to court, and there was a decision made which is a rather unusual judicial decision. The people who own the property thought that it was worth about \$65 million. The RTD thought it was worth around \$20 to \$25 million. The award for that property was \$85 million.

Consequently, since they do not have the funding at that level, they have had to discontinue the condemnation process and so to this date do not even have a place in which to begin the digging.

They have not renegotiated an agreement with the parties involved. I have been directly in touch with them. In fact, they have not even spent the \$117 million which this committee allocated last year, and yet this year they are here asking for more money even though last year's funding has not yet been spent.

I would like to comment, if I may, on a couple of other things that the chairman raised involving the questioning of Senators who were here, if I may. One is regarding the 75-percent farebox cost.

They are claiming that this particular project will not require any Federal subsidy. Now, there is not a project in the country that does not require some level of Federal subsidy.

In fact, they have sent a letter, one of the people involved sent a letter saying they would not request a Federal subsidy. Now, I don't believe that and I don't think that you believe that.

And a leading expert in the State of California who is a specialist on the BART system anticipates they will end up having the same kind of Federal subsidy as BART which is very, very sizeable. It runs something like \$1 in the farebox for something like \$10 of subsidy, at least according to that particular expert.

Also they talked about how much it is going to improve the situation in terms of traffic in Los Angeles. Even according to their own claims, the most outrageous ridership claims, that no expert who has studied this thing reasonably thinks that they can expect, they are only expecting one-half of 1 percent of the traffic in the city of Los Angeles to be reduced.

Now, that is not going to have any impact whatsoever on the traffic in Los Angeles. Additionally, you raise a question of a \$400 million funding base, they have been asking for \$336 million; certainly an unrealistic request based upon the available resources for the entire country.

One other point, you talk briefly about the effort on the part of the chairman of the Surface Transportation Committee, the offering of a bill which in my opinion is nothing more than a power grab on his part, to change the makeup of the transit fund limitation from \$1.1 billion to \$1.5 billion.

I have asked the Office of Management and Budget, David Stockman, to assess what the implication of that would be. And according to his assessment, they believe that by the end of this decade, 1989 or 1990, there would be nearly \$1 billion in deficit in that fund if they do that because while they may have an accrual of funds at this period of time because spendouts are relatively slow on these projects early on, as they move through the spending cycle, they will run into very serious problems because there is not additional money there to cover a \$400 million additional expenditure and, consequently, down the line they are going to run into serious problems and either have to raise taxes to cover those costs that are unfunded or reduce the overall transit obligations.

On top of that, they are asking for multiyear contracting, and that is a very serious problem because what in essence they say is that you, through the appropriations process, will lose the right to oversee the process of appropriations.

For instance, in Miami, you had a special problem and they needed to go in and take a close look at it. Perhaps funding may have been

withheld. If not on that project there may have been times when they wanted to do that to make certain that they were funding the projects in a cost-effective way.

Multiyear contracting would not permit that. In fact, it would take away your authorization obligations and authority by simply preauthorizing all of that money and then each year there would be nothing left for you to do.

And I think as a Member of Congress that that kind of process is bad, and I am totally in agreement with you that we should not casually give away the authority that the public puts in us.

Senator ANDREWS. Thank you very much. I appreciate your statement and your support.

[The statements of Representative Fiedler and Bruce Young follow:]

STATEMENT OF REPRESENTATIVE FIEDLER

Mr. Chairman, Members of the Subcommittee, I want to thank you for the opportunity to appear before you today concerning the proposed Los Angeles subway. As you know, during last year's appropriations process, I asked this subcommittee to hold up funding for this project until an independent panel of experts could be convened to study its feasibility. While the appropriation was not held up, the independent experts have been looking at this project and have come to the conclusion that it should not be built.

Additionally, the Chairman of the California Assembly's Transportation Committee, Bruce Young, whose testimony I will be submitting for the record, has begun his own independent investigation of this proposed project and has vowed that no funding going through his committee will be passed until that investigation is completed. In fact, in his testimony Young points out very clearly that the local funds to build this project are simply not there. "The S.C.R.T.D. promoters pledged state and local resources would cover 38 percent of the project costs. So far, they are unable to demonstrate fulfillment of this pledge."

Now, in an attempt to bring the local share up to its required percentage, the local boosters of this ill-conceived scheme are engaging in some of the greatest fiscal sleight of hand I have ever seen.

The financial house of cards this system is being built on stacks up this way. They are considering doubling the one-half-cent Los Angeles County sales tax for transit to one cent. This, while at the same time, the R.T.D. is planning to double bus fares for those already riding mass transit in Los Angeles. The R.T.D. will thereby insure that they will drive riders away just as they did when they previously raised fares. The fares have been maintained by the use of the sales tax revenues. Those funds will now be siphoned away from the bus riders, most of whom come from economically disadvantaged areas of the county. The funds taken from bus riders will be used to help finance the subway and, in turn, will be used to raise property values for some of the very richest corporations.

There are a number of other financial pitfalls to this house of cards as well. There is legislation pending in Sacramento that would require that 15 percent of the local share be used for a section of the subway that would not be eligible for Federal funds. This would further reduce the funds available for the local match.

There is legislation pending to create benefit assessment districts that clearly, according to the state's legislative analyst, are unconstitutional on their face because they create a split tax roll between residential and commercial property. I oppose this attempt to raise property taxes. However, if this legislation is passed there is no guarantee that the Los Angeles City Council, who will have authority over these assessment districts, will actually vote to raise the funds necessary to finance this project. Additionally, by now eliminating residential property from these special districts, the R.T.D. has further eroded the ability to generate matching funds.

Two other ongoing state legislative matters deserve the subcommittee's attention. The R.T.D., in an attempt to gain support from outlying communities, has been promising a number of them that extensions of the initial system will be built in their areas using the local sales tax funds. However, while they are promising these funds to different groups, they are attempting to bond the anticipated revenues from these funds in the future so that enough money will be available today to build the subway section. In other words, the R.T.D. is claiming they can use the same money twice.

The other legislative matter is an attempt by the R.T.D. to eliminate competitive bidding from certain portions of the project. They have already been in trouble with the Department of Transportation regarding competitive bidding, and this legislation is a blatant attempt by some at the R.T.D. to reward their friends at the expense of the taxpayers.

But, more importantly, Mr. Chairman, if this subcommittee commits any further funds to this project, they will not be throwing them down a hole in the ground, as I indicated last year; they will be throwing them into the wind because the R.T.D. has no place to start the subway.

In all the planning documents, including the Environmental Impact Statement, the R.T.D. proposed to start the subway at Union Station in downtown Los Angeles. An attempt was made by the city to condemn the property for approximately \$25 million. The owners of the property said it was worth approximately \$65 million and took the case to court. The jury in the trial reached the unusual verdict that the property was worth \$85 million. Therefore, condemnation proceedings by the City of Los Angeles have now been dropped and the R.T.D. has not negotiated a lease of the property or the purchase of a new terminus for its subway.

If no lease is negotiated and a new terminus is required, a new E.I.S. will have to be done. Therefore, the R.T.D. cannot yet use the Fiscal Year 1984 money that was appropriated and has no current need for funds in Fiscal Year 1985.

Chairman Young of the Assembly Transportation Committee says in his testimony that "the promoters are an exuberant bunch of cheerleaders. But, after a while you begin to feel the game is 'blindman's bluff'. Discounting criticism regarding construction costs, eventual operating costs and ridership estimates from expert analysts, the promoters continue cheering."

Last year I asked for a closer look at this project. The experts have now done that and found it wanting in virtually every respect. The Chairman of a key legislative committee in Sacramento is conducting his own investigation and is holding up any legislation on this project until he is finished. I respectfully suggest that this subcommittee withhold any funds in Fiscal Year 1985 for this project because it is simply a waste of the taxpayer's funds.

STATEMENT OF BRUCE E. YOUNG, CHAIRMAN, CALIFORNIA ASSEMBLY
TRANSPORTATION COMMITTEE

Mr. Chairman, Members of the Subcommittee, I offer these remarks for your consideration relative to the proposed Los Angeles subway.

Before I proceed, I would like to provide some background that may give insight to the issues at hand.

In 1980, the voters of Los Angeles County approved Proposition A which guaranteed a reduction in bus fares to 50¢ for three years conditioned upon increasing the sales tax in the county by one-half cent.

To suggest the public support of over 50% of the voters was based on support for the rail system is to ignore history.

In 1968, the voters refused an 89-mile proposed transit system.

In 1974, the voters refused a 116-mile proposed transit system.

In 1976, the voters refused a 233-mile proposed transit system.

Each of these proposals included an underground project in the Wilshire Corridor.

The 160-mile system included in Proposition A may not demonstrate public support for a subway in the Wilshire Corridor. It is safe to assume the reduced bus fares (actual costs are offset by proceeds of the sales tax) were the method of gaining the necessary vote of the people.

The promoters indicate the 18.6-mile trunkline segment in the Wilshire Corridor (Metro Rail) is "only the beginning" of the proposed 160-mile regional rail system. This "beginning" is now estimated to cost over \$3.5 billion. This "beginning" is to begin operation in 1990 if all goes as planned.

I preface my comments with these statements so you can gauge the importance of providing as much as 62% of the funding for this project.

While a variety of experts in transit planning debate the merits of the proposed Metro Rail project, we also find a decided lack of backing from other elements of the state.

The Governor recently stated that his Administration's commitment for the project "is contingent upon full funding from all other desired participants," and the understanding that the project will proceed as outlined in Southern California Rapid Transit District's (SCRTD) application.

This is important, since the SCRTD expects the state to come up with \$400 million towards the project.

The California Transportation Commission has conditioned allocations of funds for this project on receipt of federal appropriations. This act grew out of reports from Urban Mass Transportation Administration (UMTA) that funds would not be available to initiate a project of this magnitude. UMTA suggested that the proponents identify a smaller segment, possibly 5-miles or less.

The SCRTD which proposes the project didn't want to reduce its request since vital corporate business support in the corridor might dwindle. UMTA and SCRTD were in a "stand-off" as to who would end up being blamed if the project fails.

Perhaps this best exemplifies the atmosphere surrounding this project.

The promoters are an exuberant bunch of cheerleaders. But after a while you begin to feel the game is "blindman's bluff". Discounting criticism regarding construction costs, eventual operating costs, and ridership estimates from expert analysts, the promoters continue cheering. They continue pushing for us the "congressional commitment", the UMTA support", the "62% federal funding commitment", the "support of the public, private, and business sectors".

I'm afraid for each of you the story is similar. Each of us is being told everyone else supports this endeavor. As a result, each of us has been placed in a position to feel as if questioning this proposal is to go against every other interested party.

With the constantly increasing cost projections, this project is no bargain. We aren't talking \$2.99 versus 3.99. We are talking \$2.3 billion versus \$3.5 billion and rising.

Transit alternatives for the Los Angeles area are vitally needed. but let's not ride off in a Rolls-Royce if a Ford can do the job.

It's as if you had plans drawn up for a dream house and cost was no object. Then, you looked in your wallet and found out you could only finance \$200,000. In either case, you would be warm, dry, and comfortable.

The SCRTD promoters pledged state and local resources would cover 38% of the project costs. So far, they are unable to demonstrate fulfillment of this pledge.

Perhaps before the Appropriations Subcommittee acts on SCRTD's requests, you should ask for a thorough accounting. Perhaps you would like a clear statement of unqualified support from each of the entities that are involved (e.g. Governor, CTC, Legislature, business community, public, UMTA, local government).

Or perhaps some down-scoping on the project is necessary. Perhaps we can serve the people's transit needs just as well for less money.

Basically the questions seem to be:

Are you sure this project represents a wise expenditure of taxpayer dollars?

Are you satisfied that the figures add up (costs, ridership, etc.)?

Are you satisfied that more reasonable, less costly alternatives do not exist?

I'm not.

CONGRESSIONAL WITNESS

STATEMENT OF HON. ROBERT T. MATSUI, U.S. REPRESENTATIVE FROM CALIFORNIA

Senator ANDREWS. Our next witness is Congressman Matsui. Are you speaking on Sacramento Light Rail?

Representative MATSUI. Yes; I am.

Senator ANDREWS. Good to have you over here.

Mr. MATSUI. I appreciate very much the opportunity, especially in view of your very heavy schedule. My statement is extremely brief.

Senator ANDREWS. It will be included in its entirety.

Mr. MATSUI. If that is the case, I will just submit my statement and indicate, frankly, that the project at this time has \$96 million in Federal funds and we are looking for now the last \$30 million in Federal funding.

We just certainly hope that the committee will look favorably upon us. Almost all of our bids have been under the original cost estimates. It is a light rail project, 18 miles in one of the fastest growing metropolitan areas in the country.

We have received \$26 million in State funds and the balance has come from local funds, and we do need the additional Federal money from the interstate transfer funds. We certainly hope this subcommittee and full committee will look favorably upon it.

Thank you very much.

Senator ANDREWS. Thank you very much, Congressman, for taking the time to come over here. We appreciate your support and I am sure that your friends back in Sacramento realize that they have a topflight spokesman for their project.

Mr. MATSUI. Thank you.

[The statement of Representative Matsui follows:]

STATEMENT OF REPRESENTATIVE MATSUI

Chairman Andrews, I very much appreciate your allowing me to testify this morning, especially in light of the very full list of witnesses you will be hearing. I think I can be very brief.

Sacramento is one of the fastest growing metropolitan areas in the country. We recognize that fact with mixed feelings. Beyond our pride over the success of our community, we also face awesome challenges to provide for its future.

One of the most important of those challenges is transportation. A few years ago, the community decided to take advantage of the Interstate Highway to Mass Transit Transfer option to build a light rail system. I emphasize the words: "the community decided." Even the most skeptical of my constituents recognized that in 15 or 20 years, dependence on the automobile or road vehicles alone could make Sacramento a nightmare. So, it is with both faith and foresight that we have gone forward with this plan.

The 18-mile system has been on schedule and at or below budget. We have had groundbreakings every month or two since last fall for various components of the system. I am asking today that your committee earmark \$36.34 million in the fiscal year 1985 appropriations bill as the last installment of the Federal portion of this light rail project. That will permit the system to be completed and operational on schedule.

Mr. Chairman, I can answer questions or provide you with more details about the specifics of the system or the matching funds from the State. But what I have said is really the heart of my request.

BRIEF STATEMENTS

Senator ANDREWS. Let me make one brief announcement. We have a problem with time. The hearings are scheduled to go until noon.

Many of you traveled a long way and I know it is going to be inconvenient for you because then we are going to have to recess and come back at 4 or 4:30 this afternoon or tomorrow, so what I would like to suggest, and I realize some of you have to go out of town and some of you have other appointments; one, your statements will appear in the record in toto, as given in every word.

Any of you who think that you have a problem in not coming back at 4 in the afternoon or tomorrow, anyone who wants to volunteer to come up and summarize like the Congressman did in just 2 minutes, we would be glad to run as many of you out in this 2-minute sequence as we can.

And then if anyone wants to have any longer time, we will be glad to come back this afternoon. But I don't want to inconvenience a mayor or some other city official who has come a long way and has a schedule this afternoon.

So we will accept volunteers who want to come up and if you will identify yourself.

Mr. CARDILLI. Thank you, Mr. Chairman. I am Michael Cardilli, chairman of Chicago Transit Authority. With me is Jerome Butler, commissioner of Department of Public Works, city of Chicago and on my left, Bernard Ford, executive director of the Chicago Transit Authority.

Several of the items we have today have been covered in previous testimony by Senators Dixon and Percy in writing. And we would like to identify the fact that we certainly support the nine-point legislative program of the American Public Transportation Association who did give testimony.

We strongly encourage the committee to reject the administration's proposed reductions in operating assistance. This recommendation will severely upset the hard-won financial stability recently achieved in Chicago after 3 years of financial crisis.

We are prepared to live with the previous operating assistant cuts, but further reductions will badly hurt our service rather than improve it. Many other transit systems will be similarly affected.

We also urge the committee to fully fund section 9 and section 3 programs. The Chicago system, the second largest in the Nation, is also one of the oldest and I might add, paid for by the private sector in the years gone by.

It has substantial unfunded capital needs, only a part of which would be covered by full funding. Future allocations of section 3 funding must also continue to recognize the unfunded capital needs of the old rail systems and guarantee to them a fair and equitable share of that program.

Jerome Butler will answer any questions if you have any on interstate.

Our final comment is on the interstate transit program and Mr. Butler can address any of those questions that you might have.

Mr. BUTLER. I would like to add a few brief comments, Mr. Chairman. First of all, I would just like to emphasize what Senator Dixon said earlier that it is very unusual for local government, the local operating agency, the regional transportation authority, and the State of Illinois to agree on a single issue and to be here to present the joint testimony.

And I think that speaks to the importance of the issue. I would like to address the question of full funding of the interstate transfer program.

Chicago is in a position, if we do not get the \$150 million per year at this point forward to finance our program, we are right at the critical point of going into construction on programs that will affect the vitality of our entire transit system.

The transit system of the southwest side of the city of Chicago will serve its connection to Midway Airport, a section of the city that has no rail transportation at the present time. The Howard Dan Ryan Connector, the rehabilitation of our antiquated elevated system and subway stations, are all of vital interest to the people of Chicago.

And we would urge you to fully fund this program.

Mr. CARDILLI. Mr. Chairman, I might want to add one more point. We took the abbreviated version because we know you are going to fully support the position of mass transit.

Senator ANDREWS. Well, that is a good premise. You have a couple of key spokesmen in Senator Percy and Senator Dixon and they are very hardened advocates.

One question because we are in this 2-minute zone. What percent of your fares are met at the farebox?

Mr. CARDILLI. At our board meeting yesterday our staff presented to us, it was verified, we were at a 54-percent recovery ratio for the month of March and we anticipate maintaining in excess of 52 percent.

Senator ANDREWS. Thank you very much, gentlemen. We appreciate your understanding of our problem.

Other volunteers?

ELECTROCOM AUTOMATION, INC.

STATEMENT OF ROBERT S. BUZARD, PRESIDENT/CHIEF EXECUTIVE OFFICER

ACCOMPANIED BY:

KEITH KAHLE, CHIEF ADVISOR

GARY H. BOLEN, DIRECTOR OF MARKETING RESEARCH AND PLANNING

Mr. BUZARD. Mr. Chairman, my name is Bob Buzard and I am president and chief executive officer of ElectroCom Automation of Dallas, Tex. I am accompanied this morning by Mr. Keith Kahle on my right and Mr. Gary Bolen on my left.

Senator ANDREWS. Your entire statement will appear in the record.

Mr. BUZARD. Thank you, Mr. Chairman, so I will give you a brief synopsis. We appreciate the efforts of your subcommittee and the administration to focus resources on the law enforcement mission of the Coast Guard.

The illicit drug trade traffic has created a myriad of problems for this agency, and we know that a large portion of the drug smuggling is done using stolen boats and yachts for which registration checks by the Coast Guard are inconclusive because of a lack of data present on the vessels at the time of the interdiction.

Add to these problems the stepped up intrusion of Soviet ships, submarines into our coastal waters and the total picture comes into focus.

The single weakest link in the Coast Guard system today is their communication system. Smugglers typically have more sophisticated communication equipment than does the Coast Guard and they can listen in on transmissions.

If you couple with this the fact that the Coast Guard ships cannot talk to each other readily, we can understand that they have a very difficult time solving the problem of trying to cut off the drug traffic and to try to interdict the illicit fishing and other activities going on in the Pacific Northwest.

Our company has proposed to conduct a 2-year development program to provide secure voice and data communications using off-the-shelf technology and then deploy a resulting system at the 7th and 17th Coast Guard Districts on all types of craft for a thorough test.

The Coast Guard has, in fact, envisioned such a system and has testified in favor of it before the committee but their funding priorities are not sufficient to permit them to put it at the top of their list at the present time.

We have completed a development program with the Coast Guard at the Hampton Road Station which successfully demonstrated the feasibility of the things we are proposing to you.

It is the continuation and extension of this work that we recommend. As such we feel that it is necessary for Congress to fund a program directly through the Coast Guard to maintain the integrity of advanced technology developed by our company.

All contacts at levels within the Coast Guard are, indeed, enthusiastically behind us and support our endeavors with you to obtain funding for this project. Their timing is the only issue.

The program we are proposing to you is a 2-year program involving \$8 million in fiscal year 1985 and \$15 million the following year. We ask you respectfully to consider this request and provide funding to bring to the Coast Guard this up-to-date modern secure data communications technology.

Senator ANDREWS. Thank you very much, gentlemen, your timing is excellent. We appreciate your coming.

[The statement of Robert S. Buzard follows:]

STATEMENT OF ROBERT S. BUZARD

The 1985 Budget Message of the President to the Congress of the United States stated, in part:

Through improved intelligence information and inter-agency coordination, the Coast Guard contributed substantially to a major reduction in maritime marijuana smuggling in 1983. A high level of maritime law enforcement will be continued in 1985 for both fisheries and anti-smuggling activities.

Today, the United States Coast Guard is straining at the seams to meet the increase both in the number of missions and the scope of these missions. Their expanded role in drug interdiction within their Maritime Law Enforcement mission is a good example. This problem is not new and was detailed in the study, "U.S. Coast Guard: Status, Problems and Potential" a special report to the President issued in January, 1983. As a result, the Coast Guard is struggling with a transition as profound as the change to steam-powered ships in 1857; the transition to an information driven tactical operations system.

This transition is being forced by pressures both from inside and outside our society which, for the most part, are fueled by a rapid acceleration of information technology. And, these changes are coming at a time when Federal budget deficits are creating a downward pressure on a Coast Guard budget that is trying to upgrade antiquated equipment, some of which has seen half a century of service. In past years as well as the current year their budget requests reflect the recognition of this problem and a desire to solve it. But, the time has come to accelerate the funding to match the problem.

The Coast Guard recognizes that adding ships and people is not a solution. Without the right information at the right time and at the right

location, additional resources are ineffective. This recognition is reflected through their development of data gathering devices for such needs as weather, pollution detection, sightings and navigation data followed by processing systems which transform raw data into useful information. Storage and retrieval of massive amounts of information is in transition from dusty filing cabinets to high speed computer systems such as the Maritime Safety Information System. This infrastructure of information based support systems is going in the right direction. But, the final link between the information and the user at sea, and for that matter on the ground or in the air, has yet to be made. It is time to add this final link. We know how - now. Today. We must have the wisdom and foresight to accelerate this transition in step with the need, especially as related to the halting and entering of harmful drugs into the United States.

ElectroCom Automation believes the Coast Guard needs a technology boost aimed primarily at the communications system, the backbone of this information link. Using the drug interdiction role as an example again, you have to have communications equipment - at least as good as the smugglers - to catch them. Even the recent use of scramblers only served to alert the smugglers that they needed to get away when the Coast Guard switched to scramble mode during a mission. Bandaid measures, while seeming to solve an immediate problem, only postpone the solution. The Coast Guard needs an all-digital voice and data communications system which

- o Links land, air and sea communications;
- o Provides secure communications for all message traffic regardless
if routine or priority and for both voice and data;
- o Gives instant access at sea to Coast Guard data files;
- o Reduces radio channel congestion by using digital transmission
of routine messages and navigation data;
- o Simplifies resource utilization reports and provides an accurate
record of mission events as they occur.

The program proposed by ElectroCom Automation is a two-year Research and Development program to integrate off-the-shelf communications equipment into a computer controlled network. Then, deploy this equipment on all types of vessels, plus land vehicles and helicopters in the 7th and 17th districts for a thorough operational test. These two districts, Florida and Alaska, were chosen because of their key roles in drug interdiction, shore defense, and salmon watch, respectively.

The technical approach is to develop a combiner unit which accepts digitized voice, LORAN navigation data in digital form, text messages and information in digital form and digital telemetry data, say from weather sensors, and "combines" them into one digital signal. This composite digital signal is encrypted and then transmitted over an open radio channel. The receiving station, whether on board a helicopter, ship or van, or on shore, will decode the message back to its digital form and send it to another combiner unit for separation into voice, text information or data. And, depending on the address of each type of information, it will route the signal to the correct location whether a printer, video display unit or voice communications console. All of these signal processes will be transparent to the Coast Guard crew so that they will communicate just like they did before. The difference now is they...

- o will not be bothered with requests for position;
- o will notice the radio channels aren't quite as busy;
- o will not have to worry about being overheard by the wrong people;
(The good guys can talk back and forth and the bad guys cannot hear or understand their conversation.)
- o will be able to quickly check the registration of a boat or ship under surveillance for drug smuggling;
- o will be able to get the latest weather update by a push of a button;
- o will be able to get information from the Maritime Safety Information System by direct access;
- o will notice no difference in how their voice radio works;
- o will be able to talk to the public just as before;
- o will be able to tell their home port of a status change such as arriving on station by pushing one button, saving precious air time;
- o will be able to selectively direct their communication to a single craft only, a group of vessels or all craft in a geographical area;
- o will be able to set up links with other local agencies to support a joint mission;
- o will be able to keep up with and document mission events as they happen and have the results printed for the record.

An artist's sketch of the proposed all-digital voice and data communications system is shown on the attachment.

As important as our proposed program is to the Coast Guard, are they ready for such technology? We believe the answer is, without reservation, "yes". A recent study program was started to provide the data protocol specification that defines how communications equipment will "talk" to each other. This specification will then be used Coast Guard wide to assure that all stations and craft can communicate in private. A portion of this new technology was proven in a Research and Development program conducted

at the 5th district, Hampton Roads Station, completed in 1984, in which ECA participated. The LORAN navigational data and text message link between vessels and their port were established. Access at sea to Coast Guard files awaits software from the Coast Guard, delayed due to other priorities. But, this latter capability has been a demonstrated fact in police agencies since 1976 and is already in the third generation hardware. (See attached list of examples.)

Concerning digital voice, the Coast Guard believes they must have a secure communications system. This ultimately means digitized voice. Projects planned for fiscal year 1985 and beyond include digital voice and encryption technology with the ultimate goal of full deployment. Their interest and Memorandum of Understanding with the Jet Propulsion Laboratory for the Mobile Satellite Experiment (MAST-X) underlines their desire for an all-digital voice and data communications system. Unfortunately, MAST-X may never happen, and if it does, users would not have access before the next decade at best. In the telephone industry, digital voice is becoming a standard. New PBX switches installed by AT&T today can handle both analog and digital voice signals. Vocoder, devices that digitize voice and then compress it for transmission over a standard telephone wire, have been available since the early seventies.

The human side of this issue cannot be ignored. Certainly the technology exists now, today. But what about the people and their adaptability to the "new" technology? That was also a concern when

ElectroCom Automation installed mobile computer gear on-board Coast Guard vessels for the Hampton Roads test. It proved to be a myth; there was no fear of the computer keyboard. In fact, they are beginning to use the equipment in ways never envisioned by the Coast Guard planners. As further witness, the COMDAC project which will provide computer processing power on-board the cutters has high interest with the Executive Officers and crew. So much so, they feel a sense of frustration because the computer hardware is installed and ready but the software to make it work is lagging.

The Coast Guard is indeed ready. Neither technology nor human factors stand in the way. They are planning for such a system and are doing what they can under budget constraints created by the tug of war between repairing antiquated equipment and acquiring new technology. ElectroCom Automation is uniquely qualified and equipped with "know how" and highly qualified personnel to make this R&D program a successful reality. Our background in the design of digital and voice radio systems is without peer. We have supplied the law enforcement community with computer aided systems integrated with their radio systems since 1974. The Coast Guard operations as ordered by the Congress parallel closely the public service activities, including law enforcement, especially drug interdiction, of our police and fire customers.

Our proposed program will require \$8 million for the fiscal year 1985 followed by another \$15 million in fiscal year 1986 above and beyond their current budget plans. At the end of that time the results will be very good on a continuing day and night operation.

We respectfully request the committee review our proposal and provide the "Appropriations" to bring the U. S. Coast Guard capabilities in line with the complexity of their missions.

"In summary - this new communication system will make a major contribution to the daily Coast Guard effort of "The Good Guys to locate and catch the Bad Guys."

ATTACHMENT A

List of cities in the United States that use ElectroCom Automation Voice and Data Systems:

CALIFORNIA

Los Angeles	El Segundo
Redondo Beach	Hermosa Beach
Manhattan Beach	Hawthorne
Gardena	

TEXAS

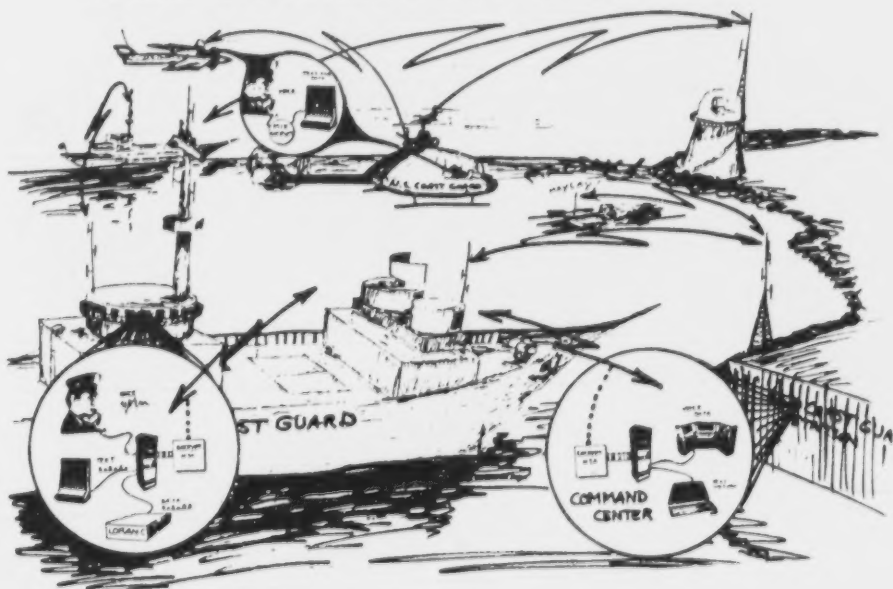
Houston	Fort Worth (1984)	Garland
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OTHER STATES

Miami, Florida	Northbrook, Illinois
St. Paul, Minnesota	Portland, Oregon

Above data systems were installed for the Department of Public Safety for each city. These systems included voice radio, in-car computer terminals, data transmission over voice radio and computer system at the central station.

All Digital Voice And Data Communications System



UNIVERSITY OF NOTRE DAME

STATEMENT OF WILLIAM B. BERRY, ASSISTANT DEAN FOR RESEARCH
AND GRADUATE STUDYACCOMPANIED BY KEITH KAHLE, CHIEF ADVISOR, ELECTROCOM
AUTOMATION, INC.

Senator ANDREWS. Our next witnesses have their statements filed. Mr. William Berry, the assistant dean of Notre Dame. Glad to have you here. Let me assure you your statement will be in the record as though given every word.

Mr. BERRY. Thank you, Senator Andrews. I will make the statement very brief, and what I would essentially like to say is that we are back to request funding for continuation of the operationally usable hardware that has, from the principal testing that has already been completed by the Transit Technology Program.

And as you recall in 1979 we proposed a 4-year program together with the Vought Corp. and the original program was conceived by Mr. Keith Kahle on my right and Mr. Robert Buzard, then senior adviser and senior vice president of the Vought Corp.

During the past two winters, 1982-83 and 1983-84, we conducted tests with CTA-Chicago, MBTA-Boston, Amtrak-Niles, Mich., and CATA in Lansing, Mich., and we think the results of those tests will lead to improved ontime service, lower operating cost, and improved safety under cold weather conditions.

The specific request we would like to make at this time is that in view of the fact that in 1984 Congress appropriated \$7.5 million for technology and production funds to continue the Cold Weather Transit Technology Program and due to the current financial limitations, no city has been able to participate in a technology introduction joint venture even though the need exists.

Since these funds were appropriated in section 3-C for DOT, they are not available for use by this R&D program, therefore, we specifically request that at this time the funds be redesignated to continue the Cold Weather Transit Technology Research and Development Program.

During the past year the Vought Corp. for internal reasons has decided to withdraw from the program, and we have enlisted the assistance of ElectroCom Automation which has both of the individuals of the original team, Mr. Buzard and Mr. Keith Kahle, and it is a company which indeed has a capability to develop electronic instrumentation that is needed by the program at this moment.

Mr. Gary Bolen is on my right and I believe he would like to say a couple words.

[The statement of William Berry follows:]

STATEMENT OF DR. WILLIAM B. BERRY

Specific Request: Cold Weather Transit Technology Program

This statement requests that the committee appropriate \$7,000,000 for continuation of research and development under the Cold Weather Transit Technology Program. The program will continue the development of operationally-usable hardware from the "proof-of-principle" testing already completed; will accomplish prototype testing on the emerging laboratory developments; and complete engineering design work for a test and demonstration vehicle that will utilize, in an integrated fashion, the cold weather countermeasures developed by the CWT Program.

Summary Discussion:

In 1979, the University of Notre Dame and the Vought Corporation presented, to the United States Congress, a comprehensive four-year Cold Weather Transit Technology Program intended to minimize snow and ice deterrents to automated transit. The program had been conceived by Mr. Keith Kahle and Mr. Robert Buzard, then Senior Advisor and Senior Vice President of the Vought Corporation respectively, who enlisted the cooperation of the administration and faculty of the College of Engineering of the University of Notre Dame. The Congress appropriated \$5.5M of FY 80 funds as the first increment of this \$20M total program. In FY-81, the Congress provided an additional \$5.5M to continue the program. The program objectives were re-oriented at the request of UMTA, and the thrust emphasized near-term benefits for existing transit systems.

Notre Dame and Vought, with the assistance of several northern transit authorities, CTA-Chicago, MBTA-Boston, CATA-Lansing, AMTRAK-Niles, made significant progress and have conducted successful tests during the winters of '82-3 and '83-4. These results promise significantly improved on-time service, lower operating costs, and improved safety in cold weather operations.

In FY-83, the Congress appropriated \$7.5M in technology introduction funds to continue the Cold Weather Transit Technology program. Use of these funds is still under consideration by several Northern transit properties which are attempting to program the requisite matching funds.

CWT work has continued at a reduced level at Notre Dame under a no-cost extension of the existing cooperative agreement. However, the Vought Corporation discontinued its efforts due to the lack of funding for development activities. Notre Dame has enlisted the cooperation of ElectroCom, Inc., which specializes in electronic systems and can develop the specialized systems the program requires. The work to be accomplished immediately includes development of prototype hardware including the radio frequency (RF) deicing system power supply modernization and miniaturization, coil configuration hardening, ice precursor sensing, ice formation detection, and design of a test and demonstration vehicle for these technologies.

Due to their current financial limitation, no city has been able to participate in a technology introduction joint venture even though the need exists. Since these funds were appropriated to Section 3c for D.O.T., they are not available for use by this R and D program. We specifically suggest that at this time these funds be redesignated to continue the Cold Weather Transit Technology research and development projects which are active today and contained in this statement.

We appreciate this opportunity to make this presentation to you. This presentation summarizes the history, progress, and status of the Cold Weather Transit Technology (CWT) Program.

The CWT Program was proposed to the Congress by the University/Industry team of Notre Dame and Vought, it was subsequently funded by Congress and administered by the Department of Transportation's Urban Mass Transportation Administration. The fundamental goal of the program is to significantly increase transit systems' operational reliability under ice and snow conditions.

History

In the Spring of 1979, Notre Dame and Vought proposed a four year, \$20M, program for research and development of cold weather equipment for automated guideway systems in preparation for the downtown people mover (DPM) program. Congress appropriated funding, work commenced, and a series of reports resulted with complete hardware development in some areas and progress in others.

In 1980, Congress appropriated funds for the second year. However, the new administration's diminished emphasis on the development of DPM systems resulted in an agreement to redirect the program to emphasize solutions for existing transit systems' problems under cold weather conditions.

The initiation of this redirected program required establishing confidence on the part of the transit properties and industries that the program would be a cooperative one. That this has been successfully accomplished is indicated by: cooperation and contributions to the program of equipment and services by numerous industrial equipment suppliers; personnel effort and equipment contributions by several transit authorities, and personnel effort and equipment from DOT/Transportation Systems Center.

Program Status

The following lists the program accomplishments to date:

- Completion of initial phase automated guideway transit (AGT) work including
 - cold weather environmental chamber testing of half-scale steel wheel and rubber tired vehicles.
 - cold weather hardening of on-board full scale vehicle equipment.
 - evaluation of technological data available in the literature and data obtained by this program for materials, equipment and systems applications to solutions of cold weather problems of AGT vehicles and systems.
 - definition of the context within which a center for cold weather research and development could be focused on the transit properties equipment needs and certification.
 - documentation in nine volumes.
- A review of top priority cold weather problems equipment needs of existing rail and bus transit authorities. The effort continued with specific applications to individual transit authority's equipment.
- Equipment development programs with Chicago Transit Authority, Capital Area Transit Authority (Lansing, MI), Massachusetts Bay Transit Authority (Boston), and AMTRAK (Niles, MI).
- A solution to the most aggravating and potentially hazardous running rail pull-apart problems experienced by one authority. A number of other transit authorities have expressed interest in an evaluation of their situations.
- Development of a bus wheel well deicing liner. Twenty-four medium sized bus properties in areas which do not salt heavily and have wet snows expressed an interest in this solution.
- Development of a clean, dry air ventilation system to reduce traction motor failure rate. Initial work has been accomplished with CTA, but other properties require similar equipment designs.
- Development and demonstration of a prototype hydroblast system for third rail deicing. This proof of principle hardware requires further development into an operational system.

- Wayside switch and third rail heater tests have begun but require additional work to assure reliability under the most severe conditions.
- Element testing of radio-frequency third rail deicing system has been successful and has met design goals. Continued work is necessary to optimize the applicator design, reduce the cost and modernize the power supply, assess electromagnetic effects and develop the prototype and operational hardware.
- Energy efficient laboratory ice scrapers have been designed. These require adaptation to specific transit property third rail designs through development of prototype hardware and operational systems.
- Laboratory and element test evaluations of local ice/frost formation predicting systems have begun. Further work will be necessary to develop prototype and operational hardware.
- Laboratory evaluation of iceophobic rail materials. These materials readily shed ice. The techniques for forming these materials require further development before field testing.

A Government/Industry/Transit Authority/University Program

In an age where rhetoric abounds about the need for more and better cooperation between these four societal elements, the reorientation of this program has achieved that goal and has established a model for its continued growth as a cooperative program.

The dilemma is this:

- the transit authorities do not have the engineering staff for the necessary research, development and design;
- the equipment suppliers (job shops) who would be most competitive in manufacturing adequate low-cost equipment also do not have that capability;
- the high technology industry does have the capability, but their production costs are normally too high to compete with the job shops.

The program model makes use of fundamental knowledge within the university and high-tech industry to address real problems of the existing transit authorities with assistance from the federal government and its agencies. The advantage is the development of problem solutions and specifications which the authorities can take to equipment suppliers for the most cost effective procurement.

Cold Weather Transit Technology Program Future -- Funded Program Specifies

Currently funded research and development activities end December 31, 1984. In FY-83, the Congress appropriated \$7.5M in technology introduction funds to continue the technology of the Cold Weather Transit Technology program. The use of this money is still under consideration by several Northern transit properties which are attempting to program the requisite matching funds into their budgets. Work has continued at a reduced level at Notre Dame under a no-cost extension of the existing cooperative agreement with the Department of Transportation. The Vought Corporation was not able to continue its efforts due to the lack of funding and has made an internal corporate decision not to participate in any immediate extension of the program. Notre Dame has enlisted the cooperation of ElectroCom, Inc., a small business, which specializes in electronic systems and which has the capability for development of the specialized systems the program requires.

For the continuation of the CWT research and development program we request an appropriation of FY-85 funds in the amount of \$7M. We have seen

first-hand the need and initial success of technical assistance and demonstration program to our financially-ailing transit industry and these funds will continue to:

- Test the alternate third rail de-icing system which employ radio-frequency induction
- Develop operational systems from the demonstrated "proof-of-principle" hardware.
- Provide "technical assistance" for a transit authority initiated site specific problems, e.g., an air dryer filter for transit buses.
- Determine the utility and reliability of the precursor sensor, new rail design and de-icing equipment miniaturization through winter tests.
- Complete engineering design for a CWTT test/demonstration vehicle. (Appendix A)

Additional details of the proposed activities are contained in the Conclusions and Recommendations section of the Executive Summary of the CWTP's final report. This is attached as Appendix B.

We urge you to give full consideration to the additional funding required for this research and development program. Admittedly, there is risk in attaining all of our objectives; however, the results of the program successes to date far offset the risks originally envisioned in reaching the solutions to the problems which have been attacked.

We respectfully submit this evidence for your study and evaluation with confidence that you will agree that the Cold Weather Transit Technology Program should be continued, and appropriate the funds necessary to do so. Further consideration should be given to the long term definition of this program to address the special nature of the problems of the US transit systems until a strong supportive industry can be reestablished.

We thank you for this opportunity to address this Subcommittee and we appreciate the interest of each of you and your able staffers.

Appendix A

The Cold Weather Transit Technology Program

Special Goal: Prototype Ice/Snow Technology Transit Vehicle

Description: A prototype transit vehicle which houses, in an integrated fashion, the adverse weather countermeasures developed by the CWTP and which is to be used initially as a test vehicle for developed hardware and finally as the prototype of the advanced ice/snow removal vehicle. Examples of the countermeasures include:

- low velocity air inlets for the traction motors and air supply systems,
- a radio-frequency deicing coil,
- a compact, rugged, solid state radio-frequency source excited directly by the 600 v DC power rail,
- an on-board ice precursor sensor system to detect incipient icing conditions which initiates the use of countermeasures before traction motors damaging and/or fire causing, arcing occurs with
- advanced design, low energy mechanical ice scrapers.

Test Sites: Initial testing would be carried out at the Department of Transportation's facility at Pueblo, Colorado.

Equipment evaluations will be conducted, under both natural and artificial adverse weather conditions, of the following performance measures,

- contamination of cooling air,
- speed and effectiveness of radio frequency deicing (current lab test accomplished to 27 mph),
- reliability and maintenance of the solid state radio frequency source,
- effectiveness of precursor sensor in identifying incipient adverse conditions and
- techniques of 'hardening' advanced mechanical scrapers for operation in actual transit environments.

Following successful initial testing, the demonstration vehicle will be reconfigured for in revenue service testing on a northern transit property.

Associated Wayside Tasks:

- wayside tests of composite rails for ice shedding characteristics and wear behavior.
- in-situ testing of a local weather station.

Necessary Preliminary Activities:

- design, fabricate and test the solid state radio frequency source.
- gather and model sliding contact noise in an operating transit environment.
- test electromagnetic interference and environmental hazard potentials of a radio frequency deicing system.

Demonstration Vehicle Design Work:

- system integration of various countermeasures
- evaluate the option of a new design versus the conversion of an available transit vehicle to an 'ice/snow fighter'.
- detailed engineering specifications.

Appendix B

Extract from Volume 1 - Executive Summary
Report No. UMTA-IN-06-0009-83-1

4.0 CONCLUSIONS AND RECOMMENDATIONS

The Cold Weather Transit Technology Program has addressed the breadth of operating ice and snow problems faced by the nation's mass transit industry and has made great progress: in finding real solutions which can be implemented immediately perhaps with technology introduction assistance; in developing prototype solutions which have proven successful, but which require further development to generalize the specifications for use by suppliers and to implement; in completing initial development tests of systems for which element tests have been conducted and are ready for prototype

development; and in conducting basic research and development on problems which show where technology innovations, improvements or development is both possible and desirable. The progress in each of these is outlined in the following paragraphs.

A. Technology which can be implemented or is ready for Technology Introduction:

- A.1. Bus wheel well deicing units demonstrated over three winters at Lansing, Michigan, with the Capital Area Transit Authority.
- A.2. Self-ventilating System for traction motors demonstrated over two winters at CTA, Chicago, Illinois.
- A.3. Insulated rail technology demonstrated at MBTA, Boston, MA and achieved up to 84% reduction in required electrical energy.
- A.4. A solution for rail pull-aparts which has been widely discussed with the transit industry and suppliers.
- A.5. Rail switch heaters have been tested in the laboratory and in the field at AMTRAK in Niles, MI. These tests indicate two places to focus attention: the slider plates and the point rail tips.

Recommendation: That these technologies be introduced immediately by providing the transit authorities with the assistance necessary to speed the process.

B. Prototype technology field tested but in need of generalization of specifications and demonstration under operating conditions.

- B.1. Rail Switch Heaters are repeated here due to the specification requirement for the slider plates and point rail tips, and the continued testing by AMTRAK.
- B.2. The Prototype Hydroblast System tested successfully at MBTA and should be tested on an operating transit system. Further specification refinement and design is necessary for use on covered rails such as at Washington Metropolitan Area Transit Authority or inverted rails such as at the Southeastern Pennsylvania Transit Authority.
- B.3. The Sensor developed to measure ice thickness by the Vought Corporation is well documented and ready for adaptation in specific applications for ice detection and detection of other rails in perfections.
- B.4. The air filter associated with A.2. would be useful in any design which requires a clean air uptake from an environment where normal air contains too much particulate matter. Bus applications have been proposed but not evaluated.
- B.5. New scraper designs are capable of preparation for specific application and adaptation to specific systems.

Recommendations: Switch Heating System (B.1.) continue to be monitored and/or tested. The Prototype Hydroblast System (B.2.) be tested in an operating system and its design be adapted to other rail configurations. Applications for the Sensor (B.3.) and Scrapers (B.5.) be reviewed and the air filter (B.4.) be investigated for application to buses.

C. Initial System Development Testing based on Element test results.

- C.1. The radio frequency induction ice melting system has been element tested beyond the original design goal of 15 mph at 25°F to 27 mph at 28°F and 17 mph at 25°F.

- C.2. RF Coil configurations have been tested in the laboratory and are ready for scale up for system element test to determine their effectiveness in ensuring uniform heating of the rail surface.
- C.3. Data on local weather predictive capability have been obtained in limited form. This system is ready for field test and practical system design.
- C.4. During electrical contact studies, a lead based shoe material in use by many companies was determined to have potential application to trolleys and other catenary transit operations. The material potential in these applications requires evaluation.

Recommendation: That work on the elements of these systems be continued and the systems developed. Scale-up test of the RF Coil (C.2.) and field testing of the shoe materials (C.4.) could be done at the DOT Test Center in Pueblo, CO, as could the system tests for the RF ice melting system (C.1.). Access to the Vought Corporation's Rotating Drum is possible as long as the company maintains the facility for further Coil (C.2.) work. The local weather station (C.3.) field tests could be done in cooperation with a Transit Property or at an air field.

D. Completion of Basic research and development to bring innovative concepts to practical technology.

- D.1. The RF power supplies are in need of design and development work to reduce both size and cost. Use of modern solid state electronics is expected to accomplish both.
- D.2. RF signal interaction with vehicle and wayside electronics should be evaluated to determine the requirements for either prevention or enhancement.
- D.3. Iceophobic materials should be developed and tested to determine their applicability to existing systems and the energy saving vs. cost benefits.
- D.4. The ice/frost precursor development scheme has shown laboratory predictive characteristics as anticipated and excellent potential for development realization into practical hardware. Its development should be continued. The technique may be extendable to rail flow detection
- D.5. As part of the iceophobic materials development, studies on electrical contact behavior have been necessary. These investigations have characterized the properties of contact behavior and led to suggestions for other useful contact materials for electrical/electronic applications as well as third rail power pickup.

Recommendation: That the necessary research and development on these topics be continued and the materials or systems be developed. The first four items should be developed and/or field tested. Again these could be accomplished readily at the Colorado Test Center. The electrical contact behavior work should continue at Notre Dame in cooperation with the supplier industries.

STATEMENT OF GARY H. BOLEN, DIRECTOR OF MARKETING RESEARCH
AND PLANNING, ELECTROCOM AUTOMATION, INC.

Mr. BOLEN. Thank you, Dr. Berry. My testimony today is in support of Dr. Berry's program. We have inspected their program results, research program to date.

The excellent work that was done in the public sector, and we find that it is worthy of carrying this to the next stage, which is full scale testing of a special purpose vehicle that will have the anti-icing capabilities we have been talking about.

This test program will be conducted at the DOT environmental test facility in Pueblo, Colo., an excellent facility and we expect to get the design information that we need to, in fact, complete the design of a special purpose vehicle.

ElectroCom Automation would perform the systems contractor role which formerly was done by the Vought Corp. and that basically concludes my testimony.

Senator ANDREWS. Your testimony will appear in the record in its entirety.

[The statement of Gary H. Bolen follows:]

STATEMENT OF GARY H. BOLEN

There is no one in this room who hasn't experienced the personal frustration and sometimes extra costs of winter's impact on our transit systems. Fortunately, winter's icy hand doesn't strike often but it doesn't take many lost passenger hours to add up to a multimillion dollar economic impact. And, who pays? We all do through higher prices inflated by empty labor hours created not by mountains of snow but by a thin layer of ice. This thin layer of ice, as mundane as it seems, has defied our modern technology and remains free to stop our transit systems at will.

Today, with our emphasis on high technology - the space shuttle, artificial intelligence and automated bank tellers are examples - why can't we solve the cold weather problem? Congress addressed this issue several years ago when a Cold Weather Transit Technology research grant was made to the University of Notre Dame. Through their research, the answers are becoming clearer and the necessary system design data is nearly at hand. ElectroCom Automation Inc., a systems integration firm, examined the depth and status of their research and are here before this subcommittee today to testify in support of the continuation of the cold weather program to a logical conclusion. This conclusion is the design, construction and test of a full scale prototype transit vehicle capable of keeping our transit systems going in the worst of icing conditions.

In our judgement, Notre Dame's research program - coupled with excellent work from the private sector in 1981, 1982 and 1983 - has yielded an excellent design data base for all essential ingredients of such an "ice killer" transit vehicle. Examples of these research efforts include: Chemical bond analyses yielded techniques for breaking the bond between the ice and the third rail, the vehicle's source of power. Protection devices for motor air intakes were developed and tested against snow and ice ingestion. Efficient ice scraper designs were tested that clean the rail more thoroughly and with less energy than those in current use. A color film shows "The Coil" completely fracturing ice when it passes over a steel rail covered with man-made ice...never been done before. Radio Frequency energy was tested and found to be an excellent technique for breaking the ice bond. Sensors were developed that potentially can predict icing conditions before they occur. Their research program has truly provided a

systemic look at the cold weather transit problems. It is clear that they are ready to move to the next step toward implementation, full scale environmental testing.

There are two logical program phases that lead directly to practical and economic application of this technology to today's transit systems. The first phase is to scale up the technology elements and test them in near real-world conditions at the Pueblo, Colorado, environmental test chamber. Actual scale models of each element would be designed, fabricated and tested at the Colorado facility. Test data collected from those tests conducted throughout 1984 would be used to design the prototype "ice killer" transit vehicle in the second phase.

In the second phase, a special purpose vehicle would be designed to capture live test data as it traversed normal transit routes in cities selected for the tests. The "ice killer" transit vehicle would attach to an existing train and provide the anti-icing services anticipated in full scale transit operation. Since only one would be operating in a metropolitan area, a good with-and-without comparison could be made. The resulting test data would be integrated into a final design configuration for implementation into the Department of Transportation's arsenal of special purpose transit vehicles.

An artist's sketch of this special purpose transit vehicle is attached.

ElectroCom Automation would perform the systems contractor role formerly provided to date by the Vought Corporation. For valid reasons of their own, Vought has decided to discontinue vehicular technology activities. Our background in vehicular technology has been concentrated on the transit fleet management operation through systems integration and mobile communications technology. Our design experience includes radio frequency systems, electromagnetic interference (EMI), microprocessor and sensor design, environmental testing, electro-mechanical, adverse environment design and, of course, systems integration. It is this strong focus on hardware design and fabrication into industrial products that will be our primary contribution to the Notre Dame efforts.

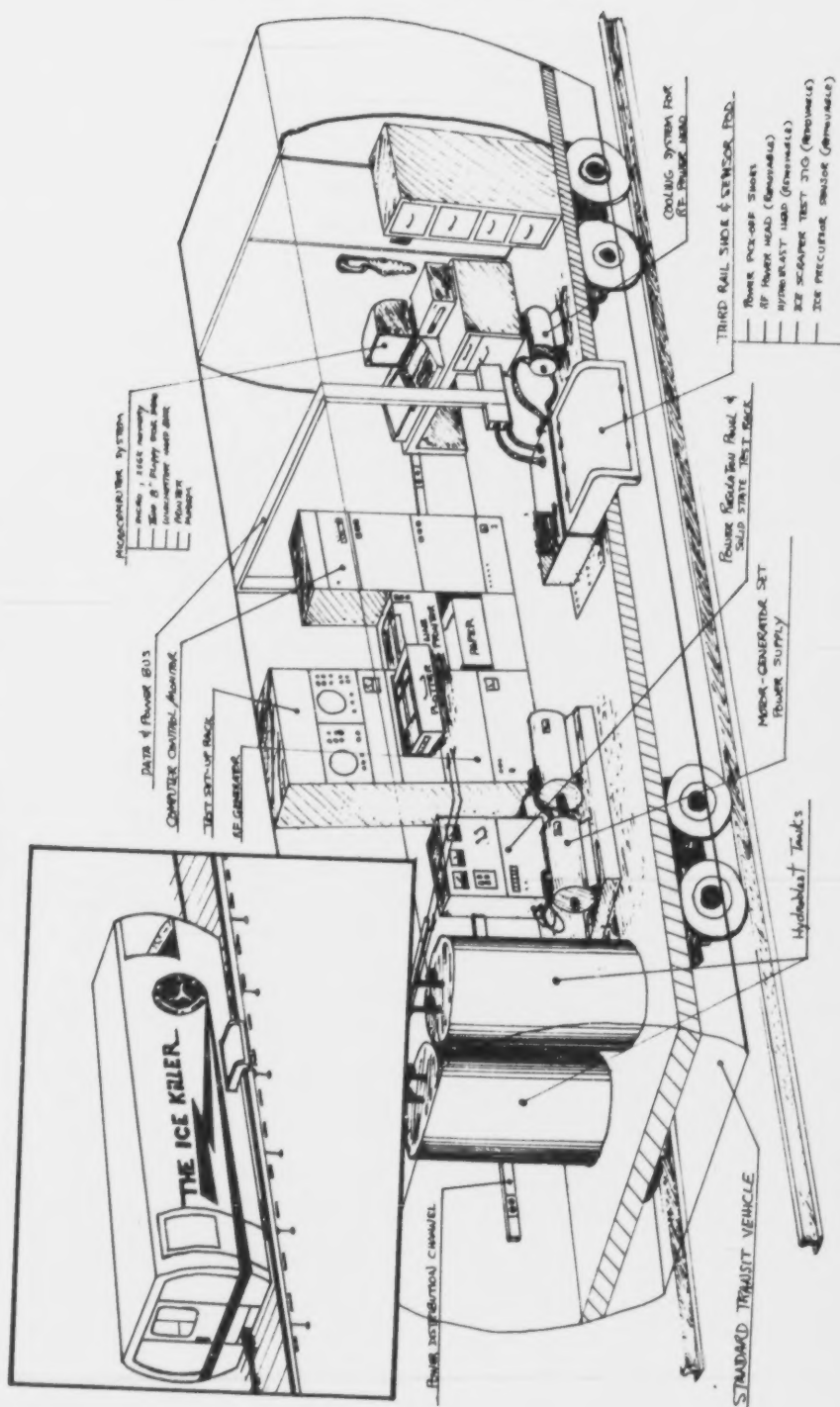
Under the direction of this subcommittee, Notre Dame has brought organization and understanding to help control the economic effects of cold weather on our transit systems. That old adage that goes "Everyone talks about the weather, but nobody does anything about it" is on the verge of obsolescence. Within one small region of Mother Nature's weather spectrum, we have reached the edge of control. We must take the next step and apply our knowledge to one of our most frustrating and costly winter problems - the loss of transportation.

ElectroCom Automation firmly supports Notre Dame in fulfilling the directives of this subcommittee for the Cold Weather Transit Technology Program. We are completely "fit, willing and able". In fact, we have the two-man team that originated the program which Congress and this very committee strongly supported in Robert Buzard, our president, who was the founding engineer of the program, and Keith Kahle, who is now an advisor to our president and originally conceived the first research approach and convinced those interested that "this can be done". These two men are together again under one business/research roof and moving forward in the battle against ice. We have the systems integration and hardware productization experience necessary to turn Notre Dame's research products into reality for live testing and ultimate inclusion in transit authority inventories.

In regard to Notre Dame's funding request, we support their recommendation that the money appropriated for the introduction of this new technology through a matching funds grant be redirected for the continuation of this research program. In these tough economic times the cities simply do not have the matching funds. The funding, appropriated as D.O.T. Section 3 funds, has lain fallow as a result. We strongly urge the Committee to redirect these funds as suggested in Notre Dame's statement. Then, the original goals as directed by Congress and specifically this committee can be realized and put into commercial application, benefiting the people who ride our transit systems.

We respectfully request that this subcommittee review and approve the funding for the full scale testing phase recommended by Notre Dame.

Project Ice Killer



CONGRESSIONAL WITNESS

STATEMENT OF HON. THOMAS F. EAGLETON, U.S. SENATOR FROM MISSOURI

Senator ANDREWS. Next we are joined by our senior colleague, Senator Eagleton, from the State of Missouri, a most valuable member of this committee and because he understands the problems he is going to insert his statement in the record and will be introducing his friends.

Senator EAGLETON. Thank you, Mr. Chairman, I do ask that my prepared statement be put in in the record as though read.

Senator ANDREWS. It will be, Senator.

Senator EAGLETON. And I came here with the intention of introducing two witnesses. I would like to make it three, if I could, Mr. Chairman.

First, Mayor Vince Schoemehl of St. Louis will be a witness before the committee in due time. With the mayor is Mr. Jerry Costello, the county executive of St. Clair County, Ill., immediately across from the city of St. Louis, Mo., and he is chairman of the East-West Gateway Council.

And I note the presence of a future witness in the room, Father George, from Georgetown University and he will be an excellent witness and we are delighted to have them all here.

Thank you, Mr. Chairman.

Senator ANDREWS. Thank you very much, Senator, we appreciate your coming.

[The statement of Senator Eagleton follows:]

STATEMENT OF SENATOR EAGLETON

These comments are addressed to you in support of our funding request for the St. Louis Area Light Rail Transit Project (Central/Airport Corridor) and provide additional amplification to testimony presented before you on April 26, 1984.

Certainly consideration of projects for scarce "new start funds" should be based on a set of rational and objective criteria. The following describes our suggestions for new start criteria, with discussion of how we believe the St. Louis project measures up to them.

1. Strong local and regional support. The St. Louis project has an extraordinary level of local support and unanimity of purpose among local governments in the metropolitan area. The States of Illinois and Missouri are also supportive, and both are prepared to allocate funding for continued planning and engineering. In the case of Missouri, this is particularly noteworthy, as the State has no history of funding assistance to urban public transportation. On the Congressional level, 26 Congressmen and Senators from Illinois and Missouri have united to request federal funding for the project. A copy of this request is attached. This group includes representatives from Kansas City and Chicago as well as from the St. Louis area. On the local level, the project has been widely endorsed. Groups expressing support include, but are not limited to, the following:

- East-West Gateway Coordinating Council, the region's MPO and COG, composed of the chief elected officials of the major jurisdictions throughout the region
- Bi-State Development Agency, a division of which operates the region's public transportation system
- Civic Progress, an organization composed of the chief executive officers of the region's 25 largest corporations
- Regional Commerce and Growth Association, the region's Chamber of Commerce, which also includes labor membership
- St. Louis Labor Council
- Southwestern Illinois Building and Construction Trades Council
- Homebuilders Association of Greater St. Louis
- Landmarks Association, a private, not-for-profit group engaged in the promotion of historic preservation and quality urban design
- Archdiocese of St. Louis
- Paraquad, an organization devoted to the needs of handicapped citizens
- Central West End Association, a neighborhood organization along a portion of the alignment in the City of St. Louis
- Skinker-DeBaliviere Community Council, a neighborhood organization along a portion of the alignment in the City of St. Louis
- Real Estate Board of Metropolitan St. Louis
- Coalition for the Environment
- Citizens for Modern Transit
- Downtown St. Louis, Inc., the downtown area's chamber of commerce

2. Maximum use of existing infrastructure. The St. Louis project follows the directive contained in the 1982 STAA and the 1984 DOT Appropriations Bill, calling for maximum use of existing infrastructure. In St. Louis, we intend to use an existing Mississippi River bridge, an existing tunnel through the heart of the central business district, existing rail lines, and an existing repair facility. These fixed assets have

been valued using an "avoidable cost" methodology, which is consistent with a sensible federal policy aimed at minimizing both construction costs and environmental impacts. We understand that UMTA has expressed some concern with the potential precedent-setting character of this unique approach to capital funding. We are firmly convinced, however, that avoiding cost through the use of existing infrastructure is a precedent that the Administration and the Congress should be eager to set. Were the St. Louis project to be funded, transit project applicants would be put on notice to search carefully for uses of appropriate existing infrastructure in order to reduce cost and make the potential federal investment as cost-effective as possible. Traditionally, applicants have proposed expensive transit capital improvements without first examining the usefulness of existing facilities.

3. Significant local match. The value of the fixed assets we propose to furnish for the St. Louis project has been valued at over \$190 million, resulting in a local match in excess of 40% of the total project cost.
4. Realistic financial plan for transit operations. The St. Louis project will be supported by a stable, dependable and sufficient funding source for operations. The City of St. Louis and St. Louis County have had a 1/2% transportation sales tax for the transit system in place since 1973. In the Illinois portion of the St. Louis region, a 1/4% local transit sales tax is also collected and is matched by the State of Illinois. Clearly, our proven track record demonstrates that the region is committed to supporting and improving public transit. Furthermore, the financial plan for the St. Louis project has been subjected to an unusually rigorous, in-depth examination by a group of disinterested business executives and by local governments and the transit authority, all of whom have determined that operating revenues will be sufficient within existing funding sources for both light rail and enhanced bus service elsewhere in the region. It is no secret that the St. Louis community has traditionally approached large-scale projects with a high degree of caution and conservatism. This caution has been applied to examining the financial feasibility of both the capital and operating sides of the St. Louis project.

A note on Section 9 funding. We share the concern of many members of the Committee that monies allocated to urban areas for maintaining and enhancing existing bus service through the Section 9 program not be diverted to new rail starts. In St. Louis, we chose to allocate an initial \$2 million in Section 9A funds available in FY 1983 to engineering for the rail project only after consultation with the transit authority and local elected officials, in which we determined that the \$2 million was not required for other programs at that time. We have no future plans for additional use of Section 9 for rail and, on the contrary, intend to take whatever steps are necessary to ensure that Section 9 funding for existing bus operations remains intact. Certainly we have engaged in no effort to allocate Section 9 funds as local match to Section 3, which we understand may have been the case elsewhere. We feel that we should caution the committee, however, that UMTA is at present informing project applicants that future departmental policy may require that all preliminary engineering, at a minimum, for new rail starts or rail extensions, be paid for with Section 9. We suggest that a consistent policy on this matter would be most helpful to all applicants.

5. Joint development/value capture potential of project. Because of its numerous tie-ins to major development sites, the St. Louis project offers very substantial potential for value capture. All legal and regulatory tools are already in place. The Draft AA/DEIS for the project includes the following statements of purpose and procedure:

EWGCC and its member local jurisdictions recognize the need for a detailed, focused, comprehensive station area master planning process, the result of which will be the establishment of short- and long-term land use and development programs for transit station sites. While the specific content and form of these programs will be designed and agreed to via a consensus planning process involving the affected jurisdictions during the design and engineering phase of the project, the following policies and procedures are proposed as guidelines:

- a) EWGCC will assume the leadership and coordination role for station master planning under contract to the transit operating authority. Specific station area master plans and work programs will be prepared, and funding will be identified and secured to carry out the work programs.
- b) Detailed project packaging and implementation will be carried out by local governments, the transit operating authority, state agencies, federal agencies, private redevelopment corporations, or such special purpose municipal corporations (e.g., Lambert-St. Louis Airport Authority, the Land Clearance for Redevelopment Authorities, the Southwest Port District) as may be determined appropriate by EWGCC's affected member jurisdictions. Opportunities for involving minority developers will be considered in securing site-specific project implementation. Formalized cooperative agreements will be established with the respective jurisdictions.
- c) A full range of tools as well as agencies to employ those tools is already in place. Consequently, no new public-sector development entities or special legislation are expected to be needed to accomplish the station development objectives.
- d) The station area master planning programs will be formulated in a manner consistent with existing land use plans and policies. Development activity will be channeled to appropriate sites, and conservation areas will be established to ensure that existing residential neighborhoods are not adversely affected by the development impact resulting from transit investment.
- e) The station area master planning process will include a mitigation program including measures to ensure that local businesses located in construction impact areas will have reasonable pedestrian and vehicular access during construction.
- f) Full community participation will be an integral element of the station area master planning process.
- g) The station area master planning process will provide recommendations for a specific value-capture program, which will involve a variety of techniques, such as special taxing districts, benefit assessments, connection fees, construction-financing participation, tax increment financing districts, as well as ground and air rights leases. (Legislative authority is already in place for the utilization of all these tools.) The value-capture

program will also address advertising and concession options, and include policy recommendations for the design, safety, security, and income potential associated with advertising and concession options.

- h) The station area master planning process will examine both the potential and the need for system extensions and new station possibilities.

Preliminary contacts and analysis made as a part of the AA/DEIS study indicate that a substantial number of station locations offer joint development and value-capture opportunities. The master planning program will analyze the possible development opportunities and develop an implementation schedule. Specific plans and projects will be targeted for those sites which appear to require a greater-than-average level of packaging and marketing effort. The goal will be to distribute as equitably as possible the transit investment's economic returns throughout the region's affected jurisdictions and to capture through public/private co-venture a portion of that return to fund the ongoing capital, operating and expansion needs of the entire regional transit system.

6. Private sector involvement. Not only does the St. Louis project exhibit a high degree of public-private partnership with respect to land use planning and development packaging, it features as well what we believe to be a unique cooperative arrangement with private railroads, by which the City of St. Louis will obtain the structures, track and land for the project.
7. Cost-effective construction. Though the St. Louis project features underground subway service in two key areas (central business district and Washington University Medical Center complex), it requires absolutely no subway construction because already-in-place tunnel sections will be utilized. This feature of the project, combined with the unique use of other existing infrastructure, results in a line which can be constructed for approximately \$12-\$13 million per mile in 1987 dollars, yet includes the above-mentioned underground service in areas of high congestion, double-tracking throughout, 24 stations, a very complete security system, a major river crossing, ample park and ride facilities, full handicapped accessibility and complete integration into the new unit terminal complex at Lambert-St. Louis International Airport. We are absolutely convinced that no other project offers this kind of value for such a modest capital investment, especially when one considers the projected construction costs of other proposed new starts, which range as high as \$202 million per mile.
8. Benefits to minority and disadvantaged business and residents. The St. Louis project will provide greatly enhanced transit service to those portions of the region--East St. Louis, North St. Louis, and North St. Louis County--with the highest concentrations of minority population and the greatest levels of economic distress. It serves those portions of the region exhibiting the highest levels of transit dependency and the lowest levels of automobile ownership, providing them with efficient public transportation to the region's major job concentrations. Fully 31 percent of households in the City of St. Louis do not own automobiles. A disproportionate number of these households are located in or near the corridor service area.

There is a firm commitment on the part of local elected officials and the transit authority to maximize opportunities for disadvantaged businesses to participate in the design, construction and operation of the project. Local governments in the St. Louis region have an excellent track record in this regard, and view light rail as an opportunity to further improve their performance. Station area masterplanning will also focus on maximizing the participation of minority and disadvantaged businesses in transit-related redevelopment projects.

9. Time savings for existing transit passengers. The St. Louis project will result in a minimum of \$15 million worth of time savings to existing public transit users on an annual basis. A time savings of 8-27 minutes per trip is anticipated within the corridor.
10. Economic development potential. The St. Louis project has been very conservatively estimated to induce approximately \$400 million in new private investment by 1995, resulting in \$9 million in new tax revenues. Many informed local observers believe this estimate to be too low, but we have taken the approach of examining the corridor in very careful detail and attributing impacts only for those projects which we believe would not happen if the light rail service were not implemented. This projection also ignores the substantial impacts LRT will show in terms of increasing retail sales at existing locations and at those already under construction, improving the market for existing housing units, and increasing the rate of absorption for existing and programmed office developments. We are concerned that UMTA is unduly discounting the role of urban rail transit as part of a total urban revitalization program and note the Congressional "Findings and Purposes" contained in the Urban Mass Transportation Act of 1964, as amended. While we may agree that some project applicants may have overstated the development benefits of their proposals in the past, we take strong exception to the seeming categorical dismissal of these benefits. Such a position is neither consistent with the facts nor with Congressional intent as expressed in the legislation.
11. Multi-modal interface. The St. Louis project provides direct interface with Lambert-St. Louis International Airport, a new joint LRT/Amtrak station, two interstate bus terminals, and one of the region's major general reliever airports, where commuter air service between St. Louis and Kansas City has recently gotten underway. Its interface with the interstate and primary highway system is also excellent, providing exceptional park and ride opportunities. Implementation of LRT also provides for the acquisition by the public sector of the Eads Bridge and consequently for the rehabilitation of its automobile deck. This is key to relieving a severe congestion problem on the Mississippi River bridges.
12. Consistency with regional land use, planning and environmental goals. The St. Louis project supports and is the next logical step in the region's central corridor revitalization strategy. It serves many of our residential, office and commercial redevelopment areas, including at least five UDAG-supported redevelopment projects, and St. Louis County's Wellston Enterprise Zone.

The project provides for the restoration of some historically significant structures to their full use. The Eads Bridge and downtown tunnel are National Historic Landmarks. A high

level of transit service will also support a number of National Register and National Register eligible office, commercial and residential properties, encouraging their rehabilitation and resultant preservation. Without the project, it seems clear that further significant redevelopment in the St. Louis CBD will require the demolition of many architecturally and historically important structures in order to develop parking facilities.

The project is consistent with and furthers the goals of the State Implementation Plan for achievement of air quality standards. St. Louis is at present designated a non-attainment area for mobile source pollutants by the U.S. EPA.

In part because of the extensive use of existing railroad facilities, there will be virtually no displacement of homes or businesses caused by construction of the proposed system.

We have long questioned UMTA's increasing reliance on a limited set of "objective", quantitative criteria for evaluating new rail starts. Though reasonable in theory, such methods are only useful when based on reliable and accurate data which are consistent across all the cities being evaluated. A long history of overstated ridership estimates and understated capital costs illustrates this problem. The proposed UMTA criteria give added weight to such data and invite "cheating" on the part of applicants. Those cities, like St. Louis, who make a fair appraisal of costs and benefits are unfairly penalized for their honesty. While the goal of making the selection of new rail starts purely objective is clearly an inviting one to those who must make these difficult decisions, it cannot be achieved without better data.

We are even more seriously alarmed now that it appears that the over-reliance on this measurement produces a tentative ranking system in which only growth areas in the Sunbelt are judged to merit federal funding assistance. Surely certain urban areas in the South and West warrant a rail transit capital investment. Just as surely, similar investments are warranted in certain cities of the Northeast and Midwest. These investment decisions may be based on different needs, which only points up the obvious fact that it is next to impossible to judge projects from different cities in different parts of the country against a single set of criteria. A rational set of evaluation criteria will reveal the benefits of projects in all parts of the country.

At the same time, the "more tailored" approach to evaluation criteria which we suggest should not result in any "deluge" of questionable requests for new rail starts. You may recall that the Urban Mass Transportation Administration funded a study several years ago to determine where new rail starts and rail extensions may be warranted. That study, Urban Rail in America, was not released by UMTA upon its completion, since its recommendations were at odds with the Administration's position at the time, which was opposition to new rail starts across the board. We suggest, however, that with the change in Administration posture and given the current search for criteria, reference back to this report could be extremely helpful. The report states unequivocally that only a very few cities in the country that do not currently operate heavy rail systems merit this sort of investment, and that the candidate list for light rail is quite limited as well. To quote from that report, "The specter of a bottomless pit of rapid transit construction and of 'little BARTs' proliferating all over the country is clearly a false one." The same report identified St. Louis as warranting a capital investment in light rail transit with at least 1/5 of the line in tunnel.

LETTER FROM SENATOR EAGLETON, ET AL.

Transportation Secretary Elizabeth Dole
U.S. Department of Transportation
400 Seventh Street, SW
Washington, D.C. 20590

March 16, 1984

Dear Madam Secretary:

We, the undersigned members of the Missouri and Illinois Congressional delegations, are writing to seek your support for the proposed St. Louis Light Rail project. The St. Louis region is suffering from a combination of slow transit service, diminishing transit accessibility in major activity centers, a diminishing supply of low-cost parking, reduced reliability of transit performance resulting from traffic congestion, and an inability to attract transit patrons.

An Alternative Analysis study of the St. Louis Light Rail proposal reveals, in our judgment, that light rail will enable the region to achieve many of our overall transit goals. Specifically, light rail will improve transportation service to increase mobility, speed, comfort, and reliability of public transportation and increase accessibility to activity centers and the region as a whole; provide public transportation service which is financially attainable and improve the operation and cost effectiveness of our existing bus system; stimulate economic development and job creation, public-private partnerships and increase local tax receipts; finally, enhance the physical and social environment and improve air quality.

We can well appreciate the difficulty the Department faces in developing objective criteria for the apportionment of limited new start funds. We would like to suggest several criteria for the Department to consider in this regard. These criteria closely follow past Congressional directives on new starts, address some of the points Ralph Stanley made in his testimony before the Committee on Public Works recently, and happen to reflect many of the features of the St. Louis Light Rail proposal.

Most important, we agree that cost-effectiveness is an essential criterion for any investment, public or private. However, the sole cost-effectiveness criterion proposed by UMTA -- marginal cost per new rider -- is far too narrow in scope. Any evaluation process using this measure as the sole criterion will be critically flawed, inconsistent with traditional public works investment policy, and inherently biased. Further, the use of this single cost-effectiveness measure is an open invitation to applicants to distort estimates of ridership and capital costs, traditionally major problem areas in transit alternatives analyses. Those cities who make a fair appraisal of costs and benefits are unfairly penalized for their honesty.

Public investments such as the one proposed for St. Louis have many beneficial impacts, and many of these impacts can be measured. Our own studies, prepared under UMTA's supervision show such important benefits as \$20 million in annual time savings to transit users and \$443 million in direct private investments, not to mention many other less direct but quantifiable benefits. We do not believe that any rational set of evaluation criteria can ignore these benefits. Traditional public works investment policy related to highway and waterway investments always consider all direct and indirect benefits as evaluation criteria. When all those benefits are balanced against the relatively low costs of the St. Louis Light Rail Project, the true merits of the proposal will become obvious.

Cities considering a new start project should have a stable and dependable funding source for operating the service. The City of St. Louis and St. Louis County have had a $\frac{1}{2}$ ¢ transportation sales tax for the transit system since 1973. In the Illinois por-

tion of the St. Louis region, a $\frac{1}{2}$ local transit tax is also collected and matched by the State of Illinois. Possibly, an additional refinement of this criterion could focus more attention on those cities with a proven track record in this regard. In the case of St. Louis, our tax has been in place since 1973 and demonstrates that our region is committed to supporting and improving public transit.

Additional criteria should relate to percentage of local match. Projects having a large percentage of local match (in the case of St. Louis, 45%) should receive a high ranking. We would also suggest that an important consideration in project evaluation ought to be the reuse and rehabilitation of existing urban infrastructure. The decay of such infrastructure in the nation's older cities is well-documented. The St. Louis project is based on an innovative and cost-effective way to bring such facilities back to life, so that they make a productive contribution to our transportation system. The original \$1 billion cost of the St. Louis project has been reduced to \$229 million through the use of existing infrastructure. Many of the nation's older cities, confronted with the prospect for infrastructure decay and abandonment, would benefit from a strategy designed to capitalize on these inherently valuable resources, rather than to ignore them.

In St. Louis, we plan to use an abandoned rail tunnel extending a mile under the heart of the central business district downtown, the rail deck of the historic Eads Bridge, and fifteen miles of existing rail right-of-way and track. The use of this existing infrastructure not only keeps the cost of the project down; it results in near zero displacement and minimal environmental impact, both of which could be additional criteria for evaluation of new starts.

High degree of private sector support is another important consideration. The St. Louis project is especially unique in that a variety of private railroads are participating in a property "swap" with the City in order to make a fixed asset base available for our project. Many businesses, both in downtown and elsewhere along the corridor, are dovetailing their private investments to the light rail system, resulting in some cases in joint station development.

Multi-modal interface is another key element of the St. Louis project which would be used as a national criterion. For example, the St. Louis Light Rail will link a new Amtrak station, a new Trailways terminal, the Bi-State Parks Airport (a key GA reliever to our hub airport) and Lambert-St. Louis International Airport. The light rail line will also intersect a number of major interstate and federal primary system expressways and result in the total rehabilitation of Eads Bridge. The Federal Highway Administration has indicated that since Eads is a historic landmark and will be owned by the City after the asset swap, they will fund the rehab of the traffic deck. Traffic congestion across the Mississippi is critical and getting worse every year.

Mr. Stanley in his testimony listed degree of community support and participation of disadvantaged business enterprises. Our project is unique in that it has the total support of the State of Missouri and Illinois officials, the elected leadership of the City of St. Louis, St. Louis County and affected Illinois local jurisdictions. The route passes through several areas of high minority population concentration and economic distress (East-St. Louis, North St. Louis and North St. Louis County), where disadvantaged businesses stand to gain greatly from the economic stimulus the light rail line will provide.

All of this is achieved at a total federal cost of \$229 million in 1987 dollars. This cost includes the Eads rail and tunnel rehab, all guideway improvements totaling \$97.8 million; bus purchases of \$8.5 million; light rail vehicle purchase of \$34 million, contingency and engineering cost of \$49.5 million; and finally, an inflation cost through 1987

completion of \$34.1 million. Included in this total are the park and ride lots, all stations, repair facility rehab, and a live camera security system.

In comparison to many other projects before the Congress, we think it is safe to say the St. Louis project provides a great deal of bang for the buck. It is our hope, Madam Secretary, that the Department will take into consideration the many unique aspects of the St. Louis project and support its construction.

Sincerely,

Tom F. Eagleton
THOMAS F. EAGLETON

John C. Danforth
JOHN C. DANFORTH

Robert A. Young
ROBERT A. YOUNG

Richard A. Gephardt
RICHARD A. GEPHARDT

William L. Clay
WILLIAM L. CLAY

Alan Wheat
ALAN WHEAT

Ike Skelton
IKE SKELTON

Edward Madigan
EDWARD MADIGAN

Charles A. Hayes
CHARLES A. HAYES

John E. Porter
JOHN E. PORTER

Sidney Yates
SIDNEY YATES

Dan Rostenkowski
DAN ROSTENKOWSKI

Marty Russo
MARTY RUSSO

Tom Coleman
TOM COLEMAN

Charles H. Percy
CHARLES H. PERCY

Alan J. Dixon
ALAN J. DIXON

Melvin Price
MELVIN PRICE

Frank Annunzio
FRANK ANNUNZIO

Lane Evans
LANE EVANS

Dick Durbin
DICK DURBIN

George J. Brown
GEORGE J. BROWN

Henry J. Hyde
HENRY J. HYDE

Paul Simon
PAUL SIMON

Gus Savage
GUS SAVAGE

William O. Lindbergh
WILLIAM O. LINDBERGH

Harold Volkmer
HAROLD VOLKMER

CITY OF LAFAYETTE, IND.

STATEMENT OF JAMES F. RIEHLE, MAYOR

Senator ANDREWS. We understand under our 2-minute volunteer group, we have Mayor Riehle, the mayor of the great city of Lafayette, Ind., on the Lafayette Railroad Relocation. Glad to have you, Mr. Mayor.

Mayor RIEHLE. Thank you, Mr. Chairman. I appreciate the opportunity to summarize my written testimony.

Lafayette Railroad Relocation was authorized in the 1973 Highway Act as amended and continued authorization in the Surface Transportation Assistance Act of 1982.

I have submitted three proposals for the committee's consideration, one which would fully fund and complete the project, a request for \$82.2 million, a smaller portion of that project at \$63 million which would effectively relocate one of the railroads to bisect our city.

Then two other proposals that are smaller portions of the overall total project, one at \$17.2 million and the smaller one is \$7.8 million, but I would like to emphasize, Mr. Chairman, that we have the support of Senator Quayle and Senator Lugar. We have the support of Congressman Myers.

We have over 90 percent acceptance in our community of this project and there is no organized group opposition. At our design hearing, the hearing officer made the remark, it was the first one he ever conducted where no one rose in opposition.

We truly believe we have achieved the intent of Congress of our relocation project. We have the agreement of the railroads. We have, through past appropriations by this committee and Congress, completed the design of the project and we are ready for implementation, so I appreciate your kind consideration to briefly summarize our project.

We did drive and we intend to head back right after our testimony, so I appreciate the chance to come up here and briefly testify.

Senator ANDREWS. Mr. Mayor, it is really accommodating you and other witnesses that we are doing this because I am going to be here tomorrow and I don't think some of you can conveniently be here tomorrow, so we are trying to help you out and we appreciate your understanding.

But actually from the standpoint of making the record, you are doing an excellent job because you have a prepared statement. It will appear as though you have given every word of it. And it is the prepared statement that our staff goes on when we mark up the bill.

Thank you for your understanding and we appreciate your appearing here today. Have a safe trip home.

Mayor RIEHLE. Thank you very much.

[The statement of Mayor Riehle follows:]

STATEMENT OF MAYOR JAMES F. RIEHLE

SUMMARY: The Lafayette, Indiana, Railroad Relocation Demonstration Project was authorized in amended Section 163 of the Federal Aid Highway Act of 1973 and reauthorized in the Surface Transportation Assistance Act of 1982 at annual levels of \$50 million. All design work has been previously funded and will be completed in 1984. The City requests that construction funds be made available to the Lafayette Project and presents (in current dollars) these implementation alternatives for FY'85:

	Federal Share (in millions)
1. Complete Project	
Relocate Seaboard System	
Relocate Norfolk & Western	\$82.2
(or) 2. Relocate Seaboard w/Independent Useability	\$63
South/Columbia St. Bridge	
Rail Corridor South and	
Harrison Bridge Approach	
Ninth St. Rail Overpass	
Wabash Rail Overpass	
(or) 3. Ninth St. Rail Overpass w/Independent Useability	\$17.2
4. Wabash Ave. Rail Overpass w/Independent Useability	\$ 7.8

I am James Riehle, Mayor of Lafayette, Indiana, and I thank you for the opportunity to testify. In particular, I would like to address the question of appropriations for the Railroad Relocation Demonstration Cities Program which was authorized in Section 163 of the Federal-Aid Highway Act of 1973 and reauthorized in the Surface Transportation Assistance Act of 1982 at an annual level of \$50 million.

The Lafayette Railroad Relocation Project received environmental impact approval in 1979, design approval in 1981, and now all final engineering work will be completed in 1984. The City has no outstanding general obligation bonds and is reserving its capacity for railroad relocation. Close to eight million dollars has already been allocated. Senators Dan Quayle and Dick Lugar and Congressman John Myers have worked closely with the City to insure that construction on all or any portion of the project can begin in 1985.

And that is our request of you today: to make construction funds available in Fiscal Year 1985 specifically for the Lafayette Railroad Relocation Project.

Fifteen of the possible \$100 million total for FY'83 and '84 were actually appropriated. Up to \$135 million could, therefore, be considered for FY'85.

Because two-thirds of the federal dollars came from the Highway Trust Fund, the deficit impact of program appropriations would be minimal. Construction of the total Lafayette Project would require \$82.2 million in federal funds. A favorable bidding climate and the advantages of being able to commit to the total project at one time would undoubtedly yield figures lower than this estimate.

The City has developed three additional FY'85 alternatives. Each is a component of the over-all design, yet each provides significant transportation benefits to the community in its own right and each has independent useability. Alternative #2, at \$63 million, would establish the new corridor through the central city and would completely relocate the Seaboard System Railroad from its present alignment which runs for 14 blocks down the middle of a major city street. Alternative #3, a rail overpass at Ninth Street, would require \$17.2 million to separate the Seaboard line from a major traffic arterial. Alternative #4, a rail overpass at Wabash Avenue, would require \$7.8 million to separate the Norfolk & Western Muncie line from industrial and residential traffic.

In making your funding decisions for FY'85, you will be passing judgment on fifteen years of intense community effort and you will be determining the physical characteristics of the Lafayette region for the century to come. I cannot overstate the importance of your decision to our citizens and I especially appreciate the chance to present these implementation alternatives and to show you the severe impact of the present track alignment on our city.

The fold out map, in the Design Summary which accompanies this testimony, shows 42 street crossings where emergency services, 10 of 14 bus routes and approximately 13,000 vehicles are stopped by up to 30 or more trains per day with an average of 16 serious accidents occurring annually. The present track location depresses the economic potential of large portions of the central city. The smooth flow of interstate rail commerce is also considerably impeded by the present track location. With Purdue University's 30,000 students to the west and significant industrial expansion occurring east and south of Lafayette, this cross town traffic tie up

continues to accelerate. The City is proposing to consolidate the Norfolk & Western and Seaboard System lines into a single corridor, shown in pink on the map, which will eliminate all 42 crossings.

Indiana Governor Robert Orr and Lt. Governor John Mutz underscore the economic development potential of the project at a time when economic revitalization is of critical importance to our area of the country. (See Attachments 1 & 2.)

The railroads have been cooperative and enthusiastic about the Lafayette Project as the letters from Norfolk Southern Chairman Robert Claytor and Seaboard System President Richard Sanborn indicate. (See Attachments 3 & 4.) In a generous expression of support for the project, the Norfolk & Western donated to the City last December the renovated train depot which currently houses the project office. (See Attachment 5.) The City was then free to use the depot for Amtrak facilities in the new corridor design.

The quality of our design and our design process received national acclaim in 1981 when the Design for Transportation National Awards Program, co-sponsored by the Department of Transportation and the National Endowment for the Arts, selected the Lafayette Railroad Relocation Project to receive one of only 17 awards of design excellence out of 250 entries. An additional 50 design commendations were given but Lafayette's was the only railroad relocation project cited in either category.

We are proud of this design which successfully threads a new rail corridor through an existing urban area in a way that pleases everyone—railroads, neighborhood groups, environmentalists, business, labor—in short a near unanimous consensus on a complicated public policy question that touches everyone in our community. (See examples in Attachments 6 & 7.)

A card input system, just one component of an ongoing vigorous public participation program, has shown project approval ratings ranging from 91% to 95%. At a well attended Design Public Hearing, there was intense interest and literally not one expression of opposition to this project.

To halt the Lafayette Railroad Relocation Project at this point would waste the large investment already made in the project and would deal a severe blow to public confidence in government generally and in the extra-

ordinary community problem solving process that has gone into railroad relocation.

Because of critical safety transportation and economic revitalization needs, because of the undisputed quality of the design, because of overwhelming public support, and because all final engineering work will be done in 1984; I request that you make construction funds available to the Lafayette Railroad Relocation Project for Fiscal Year 1985.

Thank you again for the opportunity to testify before the Subcommittee.

[ATTACHMENT 1]

LETTER FROM ROBERT D. ORR, GOVERNOR OF INDIANA

The Honorable Elizabeth Hanford Dole
Secretary of Transportation
U.S. Department of Transportation
Washington, D.C. 20590

March 30, 1984

Dear Secretary Dole:

The City of Lafayette, one of 19 Railroad Relocation Demonstration Cities, will soon be proposing to the House and Senate Appropriations Committees that an initial segment of its rail relocation project be included in the FY'85 budget.

My purpose in writing is to share with you my enthusiastic support of this request for funding in the FY'85 budget.

The effects of the current alignment of two sets of railroad tracks running directly through Lafayette's downtown area has a detrimental effect on the city and its opportunity to expanded economic development activities. Since 1975, the city has been working to design a rail relocation project to alleviate the downtown congestion and develop a well-planned course of future growth.

This project enjoys full community support, as well as support from the state's director of commerce and economic development, Lieutenant Governor John M. Mutz and myself.

Your positive consideration of the Lafayette Railroad Relocation project will be greatly appreciated by the City of Lafayette and the State of Indiana.

Sincerely,

ROBERT D. ORR
Governor

[ATTACHMENT 2]

LETTER FROM JOHN M. MUTZ, LIEUTENANT GOVERNOR OF INDIANA

Senator Mark Andrews, Chairman
Senate Transportation Appropriations Subcommittee
156 Senate Dirksen Building
Washington, D.C. 20510

March 2, 1984

Dear Senator Andrews:

As Lieutenant Governor of the State of Indiana, I have the responsibility of directing the Indiana Department of Commerce, the state agency which oversees our economic development efforts. In this position, I have become aware of the impact of transportation on the economy of Indiana's cities and towns.

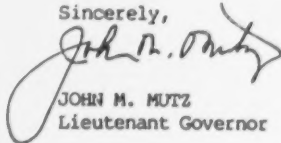
The purpose of this letter is to bring to your attention a situation in Lafayette, Indiana in which the current alignment of two sets of railroad tracks directly through the downtown area is having a negative impact on the economy of the community. In pointing out this situation, I am pleased to be able to also point out a proposed solution to the problem. Since 1975, the City of Lafayette has been working to design a Railroad Relocation project that would completely alleviate this congestion.

The City of Lafayette has brought to my attention a proposed project that has won a design excellence award through the Design for Transportation National Awards Program. In addition, they have been chosen as one of 19 Railroad Relocation Demonstration Cities and have developed impressive community understanding and support. In my opinion, the City of Lafayette has made the right decisions, taken the appropriate steps and has approached transportation and economic development planning in a most professional and proper manner.

The City of Lafayette will soon be proposing to the House and Senate Appropriations Committees that an initial segment of this project be included in the FY 85 budget. I believe this proposal displays quality planning and design and will have a positive economic development impact on the City of Lafayette as well as implications for transportation in the entire northwestern portion of the State of Indiana. For these reasons, I strongly support this Railroad Relocation project.

It is my hope that you will give this proposal your consideration and that you, too, can support the Lafayette Railroad Relocation project. If you are in need of any further information on this project, please feel free to call upon me. My staff is also available for additional research or technical information that you may find necessary.

Sincerely,



JOHN M. MUTZ
Lieutenant Governor

[ATTACHMENT 3]

LETTER FROM ROBERT B. CLAYTOR, CHAIRMAN AND CHIEF EXECUTIVE OFFICER,
NORFOLK SOUTHERN CORP.

The Honorable Mark Andrews, Chairman March 28, 1984
Senate Transportation Appropriations Subcommittee
United States Senate
Washington, D. C. 20510

Dear Senator Andrews:

I have been advised that the City of Lafayette will propose to the House and Senate Appropriations Committee that construction funds for the Lafayette, Indiana, Railroad Relocation Demonstration Project be included in the budget for fiscal year 1985.

Norfolk and Western has been cooperating closely with the City in the development of the plans for this Project. They are the product of an extremely thorough design effort, incorporating both a technical and a community consensus. I am informed that all Project plans will be completed in 1984.

The existing traffic flows of train and motor vehicles through Lafayette afford ample justification for prompt implementation of the Project. Norfolk and Western enthusiastically supports this effort by the City and urges the funding of this Project in the budget for fiscal year 1985.

Sincerely,

(Signed) Robert B. Claytor

Robert B. Claytor

[ATTACHMENT 4]

LETTER FROM RICHARD D. SANBORN, PRESIDENT AND CHIEF EXECUTIVE OFFICER,
SEABOARD SYSTEM RAILROAD

The Honorable Mark Andrews, Chairman March 9, 1984
Senate Transportation Appropriations Subcommittee
156 Senate Dirksen Building
Washington, D. C. 20510

Dear Senator Andrews:

During the past ten years, Seaboard Railroad has worked closely with officials in Lafayette, Indiana regarding the Lafayette Railroad Relocation Project. All parties involved in the project are enthusiastic about the commitment and assistance we have received from the Congress, and we look forward to beginning actual construction soon.

I would like to take this opportunity to urge you and other members of the Subcommittee to continue funding for Railroad Highway Crossing Demonstration Projects. I would also urge you to earmark specific funds for the Lafayette project.

Thank you for your consideration.

Sincerely,

[ATTACHMENT 5]

PRIZED GIFT

[From Journal and Courier, Dec. 13, 1983]

The Norfolk and Western's donation of the old Big Four station to the City of Lafayette guarantees preservation of this red brick landmark and reserves it for a jewel in the Main Street Bridge Pedestrian Mall when railroad relocation is accomplished.

The city has renovated and rented the 75-year-old, 3,200 square-foot, structure for the past three years as headquarters for the railroad relocation project. But Mayor James Riehle says he has found it will be financially feasible to move it bodily to the end of the Main Street Bridge, when the bridge is replaced and closed to automobile traffic and becomes a pedestrian plaza over the river. It would serve as an Amtrak passenger station there as well as other appropriate functions.

So the waterfront is beginning to have prospects of taking on new vitality as part of railroad relocation. With the bridge plaza and the relocated station already in the picture, and urgings for cleaning, beautifying and installing walkways along the Lafayette shores between the new tracks and the river, a neglected area can become a great asset. And with the Wabash Heritage Trail also passing through this area, it can be a crossroads for recreation, civic activities and culture.

Each step makes railroad relocation an increasingly exciting prospect, (now that it has already become a reality in at least one U.S. city) not only to unblock automobile traffic, but to make way for a new face and flavor for the downtown area.

BIG FOUR DEPOT DONATED TO CITY

[From Journal and Courier, Dec. 8, 1983]

By JIM COX
Staff Writer

The Norfolk & Western Railroad Co. has agreed to give its Big Four Depot to the City of Lafayette, Mayor James Riehle announced Wednesday.

Riehle said the city plans eventually to move the 3,200-square-foot building from the southwest corner of Second and South streets to a new location at the base of the Main Street Bridge.

The mayor said the depot will serve as an Amtrak station once the city completes its plan to reroute Norfolk & Western and Seaboard System Railroad tracks that currently run through the downtown area of the city.

Plans for the \$95 million rail

relocation call for the Main Street Bridge to be closed to all but pedestrian traffic. Two new bridges — at South Street and Columbia Street — would be built to handle automobile and truck traffic.

The city originally planned to build a new Amtrak facility at the foot of the bridge, Daniel Fogarty, city railroad relocation director, said today.

"We found we could (move the depot) and still be within our budget. We've had two building movers look at it .. They both say it's a piece of cake," Fogarty said.

Riehle said the city this summer had asked Norfolk & Western to donate the depot.

"We were very pleased with the news. It's another indication of the

railroad's willingness to cooperate with the city," Riehle said.

The city has rented the 75-year-old building for three years, using it as railroad relocation headquarters.

The building was renovated by the city in 1980-1981.

Norfolk & Western officially will turn the depot over to the city at a December or January meeting of the Lafayette Board of Works and Public Safety, Riehle said.

[ATTACHMENT 6]

LETTER FROM LONNIE D. ALLEE, PRESIDENT, AND KENNETH A. RUNKLE, VICE PRESIDENT, TIPPECANOE BUILDING AND CONSTRUCTION TRADES COUNCIL

The Honorable William F. Lehman, Chairman
House Transportation Appropriations Subcommittee
2358 Rayburn House Office Building
Washington, D.C. 20515

April 3, 1984

Dear Chairman Lehman:

When I learned that Mayor Riehle would be testifying before the House Transportation Appropriations Committee I wanted to take the opportunity to underscore the strong, broad-based support the Lafayette Railroad Relocation Project has in the community.

The major east-west flow of vehicles through out the city is brought to a complete stop at 42 different locations many times a day by the north-south flow of interstate rail commerce on the Norfolk Southern and Seaboard region and country. The Lafayette Railroad Relocation Project will insure the efficiency of these national rail networks

as well as the efficiency of regional vehicular transportation systems. Both are crucial to the development of long term economic opportunities in our area.

We would also welcome the opportunities for economic growth that would open up both along the abandoned rail corridor and along the proposed new rail corridor. We encourage Congressional commitment to the whole project. The City has, however, identified several segments within the larger project, any one of which could stand alone and would be beneficial to the community. We strongly support any of the alternatives for 1985.

The city has done an excellent job of developing a plan that has the support of all elements in the community and I encourage you to appropriate funds for this award-winning project.

Sincerely,

Lonnie D. Allee

Lonnie D. Allee
President

Kenneth A. Runkle

Kenneth A. Runkle
Vice President

[ATTACHMENT 7]

LETTER FROM MALCOLM W. APPEGATE, PRESIDENT, BOARD OF DIRECTORS, LAFAYETTE
CHAMBER OF COMMERCE

Senator Mark Andrews, Chairman
Senate Transportation Appropriations
Subcommittee
156 Senate Dirksen Building
Washington, D.C. 20510

April 3, 1984

Dear Senator Andrews:

On behalf of the Board of Directors and membership of the Greater Lafayette Chamber of Commerce, I am writing to seek your support to provide construction funds for the Greater Lafayette Railroad Relocation project, fiscal year 1985.

The Chamber has actively supported this project since 1970. Chamber support reflects a widespread community support for the relocation of these major rail lines. Community political leaders of both parties have consistently lent their support to this project.

Over a 14 year period, a great deal of community effort and over \$8 million have moved this project from the idea stage to the implementation stage. In 1984, all the plans for implementation will be completed and the community is ready to begin the construction phase of the operation.

Your help is urgently needed to make this project a go for 1985. Thank you for your support.

Cordially yours,

Malcolm W. Applegate

Malcolm W. Applegate
President
Board of Directors

EAST-WEST GATEWAY COORDINATING COUNCIL

STATEMENT OF JERRY F. COSTELLO, CHAIRMAN

Senator ANDREWS. Next on our fast track I see Mr. Costello. Good to have you here speaking on St. Louis Light Rail.

Mr. COSTELLO. I am Jerry Costello, St. Clair County Board in St. Clair County, Ill., and also chairman of the East-West Gateway Coordinating Council which is the region's council of government.

This project is the center of an unprecedented cooperative effort of the local governments in our region. The same factors which make it a vital project locally make it of national significance as well.

Let me briefly and very briefly highlight some of these. First of all, the proposal includes the rehabilitation and use of existing infrastructure. The system will run on rail lines already in place from St. Louis in Illinois through the corridor to the airport using the historic Eads Bridge and a tunnel under the downtown St. Louis business district.

Senator ANDREWS. Let me assure you, I have been there and saw it. Colonel Graves took me through that area and showed me what you were using.

Mr. COSTELLO. Very good. Using our assets will reduce the project cost by nearly one-half and increase the local match of Federal funds we are requesting by over 40 percent.

This system can be built for \$12 to \$13 million per mile in 1987 dollars, in startling contrast to some other projects which range as high as \$200 million per mile.

The use of existing infrastructure also reduces the risk of cost overruns, which have plagued other new start projects. The assets will be made available through an agreement with the railroads which represents a unique partnership in the public and private sectors.

The St. Louis plan is also distinguished by its stable and dependable funding sources of operation. The people of our region have demonstrated their support for local public transit at the polls.

The St. Louis community will also benefit from much private investment conservatively estimated at \$400 million. This value can be recaptured as revenues for our local governments and transit authority.

Finally, virtually all segments of the community have endorsed light rail in St. Louis including State and local governments, the region's Council of Governments, our local transit operator, and numerous civic and neighborhood organizations.

Mr. Chairman, there is a new spirit today in the city of St. Louis and the St. Louis metropolitan area and a new recognition of the need for all parts of the region, in both Illinois which I represent and in Missouri represented by Mayor Schoemehl to work together on our problems and to maximize our opportunities.

While only a small part of the proposed system lies in Illinois, I look forward to the day when the same strategy proposed here will be used to fill the lines to Belleville, county seat of St. Clair County, and other key centers in Illinois and Missouri.

We are submitting the statement for the record which discusses at greater length and detail the features of this project. We are also submitting the statement from R. Hal Dean, former chairman and chief executive officer of the Ralston Purina Co. Mr. Dean, at our request, led an indepth, independent private sector review of our plan. His report is attached for your consideration.

Senator ANDREWS. His report will be made a part of the record. And I think you ought to know that Hal Dean called me some weeks ago and told me of this.

[The statements of Mr. Costello and Mr. Dean follow:]

STATEMENT OF JERRY F. COSTELLO

Mr. Chairman and Subcommittee Members. Thank you for the opportunity to appear before you to discuss a project that is very important to the people of the St. Louis region--the proposed light rail system.

I am County Board Chairman of St. Clair County, Illinois, and Chairman of the Board of Directors of the East-West Gateway Coordinating Council, the region's Council of Governments. This project is the center of an unprecedented cooperative effort of the local governments in our region. The same factors which make it a vital project locally make it of national significance as well. Let me briefly highlight some of these.

First of all, the proposal includes the rehabilitation and use of existing infrastructure. The system will run on rail lines already in place from East St. Louis in Illinois throughout the corridor to the airport, using the historic Eads Bridge and a tunnel under the downtown St. Louis business district. Using these assets reduces the project cost by nearly half and increases the local match for the federal funds we are requesting to over 40%. This system can be built for \$12 to \$13 million in 1987 dollars per mile, in startling contrast with other projects whose costs range as high as \$200 million per mile. The use of existing infrastructure also reduces the risk of cost overruns which have plagued other "new start" projects. The assets will be made available through an agreement with the railroads which represents a unique partnership between public and private sectors.

The St. Louis plan is also distinguished by its stable and dependable funding sources for operations. The people of our region have demonstrated their support for public transit at the polls.

The St. Louis community will also benefit from much private investment (conservatively estimated at \$400 million) whose

value can be recaptured as revenues for our local governments and transit authority.

Finally, virtually all segments of the community have endorsed light rail for St. Louis--including state and local governments, the region's Council of Governments, our local transit operator and numerous civic and neighborhood organizations. There is a new spirit today in the St. Louis metropolitan area and a new recognition of the need for all parts of the region, in both Illinois (which I represent) and Missouri (represented by Mayor Schoemehl) to work together on our problems and maximize our opportunities. While only a small part of the proposed system lies in Illinois, I look forward to the day when the same strategy proposed here will be used to build a line to Belleville, county seat of St. Clair County, and other key centers in Illinois and Missouri.

We are submitting a statement for the record which discusses at greater length and detail the features of this project. We are also submitting a statement from R. Hal Dean, former Chairman and Chief Executive Officer of Ralston Purina. Mr. Dean, at our request, led an in-depth, independent, private sector review of our plan. His report is attached. Mayor Schoemehl.

LETTER FROM R. HAL DEAN, EXECUTIVE DIRECTOR, EAST-WEST
GATEWAY COORDINATING COUNCIL

Honorable Mark Andrews, Chairman
Senate Appropriations Subcommittee
on Transportation and Related Agencies
Washington, D.C. 20510

April 25, 1984

Dear Mark:

I sincerely regret that a scheduling conflict has made it impossible for me to appear before the Senate Appropriations Subcommittee on Transportation and Related Agencies in support of a \$50 million request for fiscal year 1985 for the St. Louis light rail transit project.

Over a year ago, I agreed to serve on a volunteer basis as Executive Director for the project, under the auspices of the East-West Gateway Coordinating Council. My agreement was based on a preliminary assessment that the project appeared far more promising than any other rail transit proposal for St. Louis that I had seen in the past, primarily because of its cost-effective and innovative use of existing infrastructure. At the same time, I was quite emphatic with East-West Gateway's Board members about my intention to take a very hard look at the project's feasibility, from a private sector, third party perspective.

When the preliminary draft of the Alternatives Analysis/Draft Environmental Impact Statement was completed, I asked a group of other civic leaders to participate with me in an in-depth briefing to assess the project's capital, operating, and related patronage feasibility. The enclosed document was produced as a result of those deliberations.

Please accept this letter and enclosure as my submission to the hearing record in lieu of a personal appearance on May 3. Again, I am indeed disappointed that I will not be able to deliver testimony in person.

Yours very truly,



R. HAL DEAN

A POSITION STATEMENT ON LIGHT RAIL TRANSIT

Our vast progress in transportation, past and future, is only a symbol of the progress that is possible by constantly striving toward new horizons in every activity.

This quote from Alfred P. Sloan, Jr. could easily have been written as a statement for St. Louis as our community moves toward a final decision on the issue of light rail transit. The addition of light rail as a component of this region's public transit system will provide new opportunities for economic development and investment and set the stage for the achievement of St. Louis' potential for the future.

* * * * *

The position on light rail transit presented in this document reflects the understandings and thoughts of those whose signatures are affixed. Members of the Missouri and Illinois Congressional delegations have offered our region the opportunity to make a choice in regard to transit alternatives and encouraged comment from residents of the region. In addition, colleagues from within the private sector have asked our opinions about the impact that light rail could have on the future.

This interest on the part of our U.S. senators and representatives and others in the business community, coupled with our interest in the role of public transit in the St. Louis region, prompted the undersigned persons in their individual capacities to come together as an ad hoc group and assume a participatory role in the evaluation of the light rail issue.

The Need for Improved Public Transit

As individuals who have worked collectively and independently for progress in our community, we recognize that the private sector has an obligation to participate in an advisory capacity on public issues and often is called on to do just that. We also understand the need to base opinions and decisions on fact. For this reason, we requested a series of lengthy briefing sessions with the staff of the East-West Gateway Coordinating Council and

the Council's consultant before making any specific judgments on the light rail issue.

Based on the facts presented to us by the Council staff and consultant, our ad hoc group has concluded that there is a need for improved public transit service to residents of this region. An analysis of the statistics presented to us on decreasing ridership, increasing fares, a declining base of service and an eroded public image of the present transit system led to this conclusion.

While there are a variety of ways in which St. Louis' public transit system could be improved, we are of the opinion that a combination of light rail and buses offers greater potential for a better regional transportation system than buses alone can provide.

At the same time, we are convinced that there is a direct corollary between an efficient and cost-effective transit system and the long-term vitality of the region. Light rail can provide an important economic tool desperately needed to spur new and continued investment in the community.

An Overview of This Economic Rationale

The fixed transit route over which a light rail system would operate offers a greater impetus for stimulating and sustaining investment in the community than does a system comprised solely of buses. Experiences in other cities, where rail already is a component of public transit or where rail systems are under construction, prove the point. Station areas along the rail lines attract a variety of business and residential development, including mixed-use projects, office buildings and hotels. There are numerous opportunities for such development along St. Louis' proposed light rail line, stretching from the east side of the region to municipalities in the north part of St. Louis County.

We recognize that some sections of our region already are experiencing the benefits that derive from economic development. We also recognize that, as a community, we cannot afford to be short-sighted about the need to protect these investments over the long term. A combination of light rail, connecting buses

and park and ride lots for those who would continue to use the private automobile to meet transportation needs would provide a stabilizing link for these investments. The improved transit system also would help re-establish St. Louis as a major competitive center with other urban areas across the United States.

Considering the Capital Costs

Unlike almost any other metropolitan area in the country, St. Louis has a singularly unique opportunity to build a light rail system at an extremely economical cost and at no added burden to taxpayers of the region.

Installation of light rail as a new and vibrant component of our public transit system will not require a bond issue. It will not require a tax increase. This is because physical facilities (existing rail trackage and tunnels) are largely in place for much of the system.

Regulations require that federal funding for transit projects of this type must have a matching component, on a fixed formula, from local governments. Through creative planning that has been done, it will be possible to meet the local funding requirement with physical assets the City of St. Louis already has.

Negotiations with the railroad companies to assure that the assets will be available have been extremely positive. Because of the companies' cooperative attitudes and willingness to enter into the complex negotiations, we have strong reason to believe that final agreements will be reached at the appropriate time. The Urban Mass Transportation's willingness to recognize these assets as St. Louis' local share also is encouraging. In fact, federal funds totaling \$4 million already have been reserved for preliminary engineering of the system.

We believe that the capital cost estimate in the range of \$250 million is realistic from an engineering perspective. Furthermore, because this sum is relatively small in comparison to cost estimates for rail systems in other metropolitan areas and because it is an amount that can be matched without any added cost to the region, we believe that a light rail transit system is within St. Louis' financial reach.

An Assessment of Operational Cost Estimates

In our examination of the financial aspect of this issue, we have asked a question similar to that raised by others: Can light rail be operated in a cost-effective manner and without jeopardizing bus service to parts of the region that would not be directly served by the light rail transit line?

To answer this question we have carefully reviewed operating statistics and cost summaries for all of the transit alternatives included in the East-West Gateway analysis. While we do not claim to be transit experts, we do understand the standards of sound business practice and believe the user and cost projections have been formulated within those standards.

We believe, too, that the facts presented to us demonstrate that revenue expectations are realistic. A combined light rail-bus system can be operated within the limits of public revenues already being committed for public transportation in this region. In fact, comparisons of total revenues and total operating expenses for all the transit alternatives suggests to us that from a financial perspective light rail is as acceptable as any other option.

Furthermore, we believe it is possible to expect more efficient and cost-effective bus service when that service is combined with light rail. Because of the greater passenger capacity of light rail cars, the need for numerous buses to provide service through the region's central corridor would be reduced substantially and, in some instances, even eliminated. This equipment could, in turn, be utilized to provide expanded service in other, less densely populated sections of the region that are not now adequately served due to limited resources.

Another comment regarding light rail operations: We recognize that a single operating entity is essential to the success of an improved public transit system in St. Louis. It makes good business sense to explore the steps necessary to strengthen our existing transit operation instead of creating a new authority.

Other Convincing Factors

Although the main concern of our ad hoc group has been to examine the potential light rail offers from a business and financial point of view, there are other factors that make a convincing case for light rail transit.

We are aware that today's light rail vehicles have been upgraded and modernized. They are designed to provide efficient service in an environment that is significantly different from that of the early 1900s, when rail transit was an accepted mode of urban transportation and the only mode available to many people.

Because the vehicles are powered by electricity, they are virtually pollution free. This is a critical consideration. Our region's air pollution problems that have been created as a result of reliance on oil- and gasoline-powered vehicles must be addressed and light rail would make a positive contribution toward resolving that need.

Environmental aesthetics are yet another consideration. There is, indeed, an appreciation for the character of neighborhoods on the part of the East-West Gateway staff and its consultant. Out of this appreciation has grown the sensitivity to station design that would make these facilities compatible with the areas and structures by which they are surrounded. The impact light rail would have on the desirability of residential areas close to the system also is a key factor in light rail's favor.

Security and safety also are important. We are impressed with the sensitivity the East-West Gateway staff and its consultant have shown to these two elements of a light rail system.

Finally, from our business perspective, we cannot overlook the new services and new jobs that would be created as a result of investment around rail stations and the prospects of broader and more stable tax bases that would be realized by the local communities.

A Philosophical Note

A unified request for the federal grants that will be necessary to construct a light rail system will further the new spirit of

regional cooperation that exists today in St. Louis. More important, however, is the competitive pressure that exists among many of this nation's cities for economic growth, new jobs and a fair share of federal dollars. The demonstration that our community is united in its desire to improve public transit will go a long way in guaranteeing St. Louis' access to federal assistance that is available.

Members of the Missouri and Illinois Congressional delegations already have demonstrated a sense of cooperation and unity on the light rail issue. We should be prepared to follow that example at the local level.

Understandably, some residents of University City and Clayton have questions about the desirability of a light rail line in close proximity to their homes. Until the questions can be resolved, we are of the opinion that the most prudent course of action at this time is to eliminate a University City-Clayton line from the initial first phase of the project.

This does not diminish our belief that such a line would be desirable and would greatly enhance St. Louis' public transit system. The door should remain open for possible reconsideration of the line at some future time.

As responsible businessmen who have participated in the planning and decision-making that must accompany any major investment, either for the community or for our corporations, we understand fully the necessity of careful analysis and prudent courses of action. We understand, too, that with any investment decision there is a degree of risk that must be assumed and weighed against anticipated rewards.

Based on our business experiences, our understanding of the planning and evaluation that has been given to the light rail issue and our analysis of projections for construction and operation of the system, we believe any risks this community would assume are far outweighed by the rewards to be gained. Those rewards: Improved public transit service and an economic tool for future investment, both of which justify moving forward with the light rail transit project.

CITY OF ST. LOUIS, MO.

STATEMENT OF HON. VINCENT C. SCHOEMEHL, JR., MAYOR

Senator ANDREWS. Mayor Schoemehl?

Mayor SCHOEMEHL. Thank you, Mr. Chairman. My statement has been submitted.

Senator ANDREWS. It will appear in the record in its entirety, Mr. Mayor.

Mayor SCHOEMEHL. I would then only add to Mr. Costello's statement the fact that this is an unusual consensus among governments in the St. Louis region. We give this a top regional priority for our mass transportation needs and we would ask that the committee give full and due consideration to the efforts that have been put into this. We think it is a significant project and we think it will stand on its merits.

Senator ANDREWS. Thank you, Mr. Mayor. As you know I was there and met with your people and went over the route. It is, indeed, impressive. Our only problem is the budgetary restraints, and I am sure you understand them.

But with the outstanding recommendations of all four Senators, it certainly has been called to our attention quite well, and particularly with your testimony here this morning. Thank you.

[The statement of Mayor Schoemehl follows:]

STATEMENT OF MAYOR VINCENT C. SCHOEMEHL, JR.

Thank you, Jerry. And thank you, Mr. Chairman and members of the subcommittee. I'd like to touch for just a moment on the reasons why we in the City of St. Louis see the St. Louis area light rail project as the centerpiece, if you will, of the revitalization strategy we have pursued over the past ten years, and why we are so convinced of the need for the project that we have agreed to provide the necessary local match, in the form of a fixed asset base.

Our nation's older cities have taken a severe economic beating over the last several decades, and St. Louis has suffered perhaps more than most. Serious population loss, erosion of our manufacturing base, aging physical plant, a growing proportion of elderly and economically disadvantaged residents--these constitute the conditions under which we have constructed a careful, deliberate process of rebuilding and reinvigorating our city, emphasizing investment along the central corridor, in and adjacent to those neighborhoods containing a high proportion of low and moderate income residents. In the last five years, we have produced over 10,000 new and completely rehabilitated housing units, we have re-established the office and retail base of our downtown, we have nearly completed a massive expansion and modernization program at Lambert Airport, we have laid the foundation for remarkable growth in the tourism and hospitality industry.

I believe that much of our success has been based on an understanding of the inherent desirability and amenity of the built environment we already have in place. St. Louis has been recognized repeatedly as a leader in both housing rehabilitation and in commercial and office renovation and restoration. The light rail proposal before you today represents another opportunity for us to build on what we already have, and it is the sort of sound, inexpensive plan that we have found makes sense for us, and, we believe, for many of the nation's older cities. It

ties together the region's major activity and employment centers and links them to many residential neighborhoods containing high concentrations of the unemployed, underemployed, and transit-dependent. The nearly 18,000 new jobs we estimate that the light rail investment will induce will thus be readily accessible to those most in need of them.

Our local governments have already exhibited a clear commitment to providing the necessary funds to support public transit, and we have carefully examined our resources for the future in order to determine that we will be able to support the enhanced system we propose to put in place. The productivity of the 1/2¢ transportation sales tax in St. Louis City and County and the local and state funding support in Metro East have been subjected to rigorous econometric testing and forecasting procedures, so that we may be confident that we can maintain what we build.

There is no denying that the St. Louis metropolitan area has not experienced and likely may not in the future exhibit the sort of spectacular growth characteristic of many cities in the nation's Sunbelt. At the same time, I think we're doing one heck of a good job with what we have, and we anticipate a continuation of the slow, steady, solid recovery that has enabled us to build a record of real accomplishment. We are pulling together as a region to address our needs step by step and task by task. Building the light rail line and integrating it into an improved overall transit network is the next step. We need your support to take that step.

We, as St. Louisans, are very excited about these benefits to our hometown, but your subcommittee must look beyond these local interests to determine which dollars will be most effective in developing a balanced transportation system for the nation as a whole. In our view, funding construction of St. Louis light rail will help you fulfill your broader mission. We are confident that the St. Louis project measures up to any reasonable and

appropriate set of ranking criteria. The project is cost effective, it involves a large local match, it draws on existing infrastructure, and it is secured by local financial commitment to its operation in the years to come.

Thank you for your consideration.

GEORGETOWN UNIVERSITY

STATEMENT OF REV. WILLIAM L. GEORGE, SPECIAL ASSISTANT FOR FEDERAL RELATIONS

Senator ANDREWS. Next we have Father George. Welcome old friend. You have been appearing on subcommittees I have been sitting on for, we won't say how many years, will we?

Father GEORGE. Mr. Chairman, I am Father George, special assistant to the president of Georgetown. Father Collins always taught me three principles when I was getting my Federal education: truth, be gentlemanly, and the inverse proportion of time in appropriations.

Senator ANDREWS. You remember John Rooney who I quoted earlier on because you appeared before that subcommittee a number of times.

Father GEORGE. I certainly did. And the first thing I would like to report on is when my great friend Adam Vessin and yourself provided funds for an energy parking facility and that has been obligated and the contract procedures should be approved and we can go to award a contract within a couple of weeks, I hope.

The access way for the demonstrations is being considered by both the House Public Works and Transportation Committee and the Senate Environment Public Works presently.

We have a proposal before UMTA in conjunction with Los Alamos Labs that would study the feasibility and review the fuel cell possibilities for buses and mass transit. If that proves well, I hope we find some fuel cell buses working. It is clean and various efficiencies in the technology and cost of maintenance have led us to think that that is possibly feasible.

So I would like to support UMTA's request for the methanol and fuel cell study program and thank you, Mr. Chairman.

Senator ANDREWS. Thank you, Father, we appreciate your appearance. It is great to see you again. You are one of the best witnesses we get around here either in the House or Senate side. Your total statement will be in the record.

[The statement of Father George follows:]

STATEMENT OF FATHER GEORGE

I am Father William L. George, S.J., special assistant to the president of Georgetown University. I wish to report that funds have been obligated for the energy/parking facility and the contract and procedures should be approved in the next few weeks.

Though the originally designed accessway was adequate, a more permanent solution to the Canal Road traffic congestion has been reviewed by the city and local citizens' groups. This would be a grade-separated underpass which is under consideration by the

Environment and Public Works Committee. It is a benefit to the District of Columbia because it would ease the congestion entering the city via the Key and Chain bridges. The program of construction will permit a constant flow of four lanes, as at present. The accessway would be permanent and offer a long-term base from which to plan options for use by various modes of transportation. It would be a direct benefit to our vehicle access demonstration.

We have a proposal pending before UMTA, in conjunction with Los Alamos labs, to study and review the feasibility of fuel cell buses for mass transit operators. The use of methanol fuel and increased safety in buses are key elements.

Diesel engines have been the predominant technology for the transit bus industry and for the Georgetown University Transportation Society (GUTS). This technology has some inherent drawbacks that have been tolerated because of relatively low initial costs. These drawbacks include: an inefficient use of the energy potential of the fuel (approximately 20 percent), concerns over secure supply channels and associated pressures to raise the price of the fuel, high maintenance costs, and substantial air and noise pollution problems. In recent years these drawbacks have become even more significant.

The intracity or transit bus is a special application of diesel technology in which these drawbacks may be overcome in the near future. Specifically, the centralized maintenance and refueling characteristics of transit operations allow a controlled demonstration of a new technology. The duty cycle of the transit bus, frequent accelerations with low average speed, dictates that the new technology have high efficiency over a wide operating profile. A fuel cell/battery hybrid system provides that performance.

Fuel cells transform energy directly into electrical current and process heat. Approximately 40 percent of the energy potential of the fuel is produced as electricity. If the process heat is used to heat (or cool) the bus, even higher efficiencies are available. The fuel cell greatly reduces the number of moving parts, making maintenance easier, reliability higher, and noise pollution significantly lower. Also, the fuel cell process is one of the cleanest technologies available—no objectionable effluents are emitted.

Fuel cells can be powered by a number of hydrogen-rich fuels. However, the refueling and operating characteristics of a transit fleet call for the use of a liquid fuel. Careful study of this issue has led to the choice of methanol as the most favorable fuel for this type of application. Methanol has the advantages of using a liquid fuel distribution technology which is proven while avoiding the gas handling problems of other fuels. Methanol is readily produced from domestic energy resources (natural gas, coal, and organic materials) thereby avoiding the supply concerns associated with petroleum-based fuels. The relative cost of methanol is low and stable and the conversion efficiency of methanol in a fuel cell system is very high.

For these reasons, Georgetown University believes that fuel cell technology, driven by methanol fuel, has a significant potential to overcome the inherent drawbacks of diesel engines. A transit bus operation provides one of the most logical sites to demonstrate this technology; and the Georgetown University Transportation Society offers an ideal showcase of that demonstration.

On behalf of our president, Rev. Timothy S. Healy, S.J., thank you for the opportunity to testify before this committee.

CITY OF PORTLAND, OREG.

STATEMENT OF ROBERT VAN BROCKLIN, DIRECTOR OF GOVERNMENT AFFAIRS

Senator ANDREWS. Who wants to be next?

Mr. VAN BROCKLIN. Mr. Chairman, I am Robert Van Brocklin, director of government relations for the city of Portland, Oreg. And on behalf of the Portland region which I represent here today I would like to thank you for this opportunity to outline Portland's fiscal year 1985 request for Federal transportation assistance.

Senator ANDREWS. Let me assure you that with Senator Hatfield's strategic position as regards the rest of us, we understand your problem quite well.

Mr. VAN BROCKLIN. Thank you very much, Mr. Chairman. I will be very brief in just outlining our two major concerns.

The first is the continuation of our strong working relationship with the subcommittee and the other relevant committees of Congress in terms of addressing both the Federal and local funding commitments provided for in the Banfield light rail transit full funding agreement and, second, a sufficient allocation of interstate transfer program highway funds.

The Portland region acknowledges with gratitude Congress' continued support for the Banfield transitway project. By the end of May 1984 we anticipate that contracts will have been awarded for all of the major project elements.

It is our expectation that we will be able to complete this project within the federally established ceiling. Recognizing the necessity for minimizing our requests for scarce section 3 new start funds, we are continuing a value engineering study which has already reduced costs for the uncontracted portion of the program.

However, even though we have taken these steps to reduce our dependence on section 3 funds, part of the previously committed section 3 funds will still be required to fund the project.

We, therefore, are requesting congressional support for their inclusion in the fiscal year 1985 budget. And, second, our concern that there be continued progress for our highway improvement program, this program's success depends upon adequate levels of discretionary funding.

Last year Congress directed the Federal Highway Administration to provide \$33 million to the Portland region. After the approval of the interstate cost estimate, FHWA authorized allocation of only the formula portion to the Portland region.

This resulted in the region's receiving only \$13.6 million. Due to this shortfall our discretionary funding needs for fiscal year 1985 will be increased to a total of \$23.3 million.

I think it is important to point out that the Portland region has made a concerted effort to stretch out our needs for interstate transfer funds while still providing for the timely construction of capital improvements.

Accordingly, we have not spent venture capital where demand for facility does not yet exist; rather we have programmed our improvements to come online concurrent with private sector development and travel demand.

In order to accomplish these objectives we request assurance that Federal resources that have been committed will be available permitting the program to be completed in an orderly and cost-efficient manner. Hence, we request your assistance in securing the discretionary portion of our fiscal year 1985 funding request.

I would request at this time the balance of my comments be entered into the record.

Senator ANDREWS. Thank you very much. Your timing is outstanding.
[The statement of Mr. Van Brocklin follows:]

STATEMENT OF ROBERT VAN BROCKLIN

THANK YOU MR. CHAIRMAN. ON BEHALF OF THE PORTLAND REGION, WHICH I REPRESENT HERE TODAY, I WANT TO THANK YOU AND YOUR DISTINGUISHED COLLEAGUES ON THE SJB COMMITTEE FOR PROVIDING THIS OPPORTUNITY TO OUTLINE PORTLAND'S FY'85 REQUEST FOR FEDERAL TRANSPORTATION ASSISTANCE.

THE PORTLAND REGION HAS FOUR MAJOR CONCERNS IN THE AREA OF TRANSPORTATION FINANCE:

- FIRST, CONTINUATION OF OUR STRONG WORKING RELATIONSHIP WITH CONGRESS AND THE ADMINISTRATION TO MEET BOTH FEDERAL AND LOCAL FUNDING COMMITMENTS PROVIDED FOR IN THE BANFIELD LRT FULL FUNDING AGREEMENT;
- SECOND, A SUFFICIENT ALLOCATION OF INTERSTATE TRANSFER PROGRAM HIGHWAY FUNDS;
- THIRD, ENACTMENT OF LEGISLATION WHICH WOULD AMEND CURRENT LAW TO PERMIT THE DRAWDOWN OF UP TO 1 1/2% OF INTERSTATE TRANSFER FUNDS FOR HIGHWAY PLANNING AND RESEARCH; AND,
- FOURTH, AN INCREASE IN THE FUNDING LEVEL FOR THE FAUS PROGRAM, WHICH WAS NOT INCREASED IN THE 1982 REAUTHORIZATION OF THE STAA, DESPITE A 50% EXPANSION OF THE FEDERAL HIGHWAY PROGRAM.

THE PORTLAND REGION ACKNOWLEDGES WITH GRATITUDE THE CONGRESS'S CONTINUED SUPPORT FOR THE BANFIELD TRANSITWAY PROJECT. BY THE END OF MAY, 1984, CONTRACTS WILL HAVE BEEN

AWARDED FOR ALL OF THE MAJOR PROJECT ELEMENTS. IT IS OUR EXPECTATION THAT WE WILL COMPLETE THIS CRITICALLY IMPORTANT PROJECT WITHIN THE FEDERALLY ESTABLISHED CEILING.

RECOGNIZING THE NECESSITY FOR MINIMIZING OUR REQUEST FOR SCARCE SECTION 3 "NEW START" FUNDS, WE ARE CONTINUING A VALUE ENGINEERING STUDY WHICH HAS ALREADY REDUCED COSTS FOR UNCONTRACTED PORTIONS OF THE PROJECT. HOWEVER, EVEN THOUGH WE HAVE TAKEN THESE STEPS TO REDUCE OUR DEPENDENCE ON SECTION 3 FUNDS, A PART OF THE PREVIOUSLY-COMMITTED SECTION 3 FUNDS WILL STILL BE REQUIRED TO FUND THE PROJECT. THEREFORE, WE REQUEST CONGRESSIONAL SUPPORT FOR THEIR INCLUSION IN THE FY'85 BUDGET.

OUR SECOND CONCERN IS THE CONTINUED PROGRESS OF OUR HIGHWAY IMPROVEMENT PROGRAM. THIS PROGRAM'S SUCCESS DEPENDS UPON ADEQUATE LEVELS OF DISCRETIONARY FUNDING. LAST YEAR, CONGRESS DIRECTED F.H.W.A. TO PROVIDE \$33 MILLION TO THE PORTLAND REGION. AFTER THE APPROVAL OF THE I.C.E., F.H.W.A. AUTHORIZED ALLOCATION OF ONLY THE FORMULA PORTION TO THE PORTLAND REGION. THIS RESULTED IN THE REGION'S RECEIVING ONLY \$13.6 MILLION. DUE TO THIS SHORTFALL, OUR DISCRETIONARY FUNDING NEEDS OF FY'85 WILL BE INCREASED TO A TOTAL OF \$23.3 MILLION.

THE PORTLAND REGION HAS MADE A CONCERTED EFFORT TO STRETCH OUT OUR NEED FOR INTERSTATE TRANSFER FUNDS WHILE STILL PROVIDING FOR THE TIMELY CONSTRUCTION OF CAPITAL IMPROVEMENTS. ACCORDINGLY, WE HAVE NOT SPENT "VENTURE" CAPITAL WHERE DEMAND FOR A FACILITY DOES NOT YET EXIST. RATHER, WE HAVE PROGRAMMED OUR IMPROVEMENTS TO COME ON-LINE CONCURRENT WITH PRIVATE SECTOR DEVELOPMENT AND TRAVEL

DEMAND. IN ORDER TO ACCOMPLISH THESE OBJECTIVES, WE REQUEST ASSURANCE THAT FEDERAL RESOURCES THAT HAVE BEEN COMMITTED WILL BE AVAILABLE, PERMITTING THE PROGRAM TO BE COMPLETED IN AN ORDERLY AND COST-EFFICIENT MANNER. HENCE, WE REQUEST YOUR ASSISTANCE IN SECURING THE DISCRETIONARY PORTION OF OUR FY'84 FUNDING AS WELL AS OUR FY'85 FUNDING REQUEST.

THIRDLY, THE PORTLAND REGION SUPPORTS THE PROPOSAL WHICH WOULD ALLOW 1 1/2% OF FAIX FUNDS TO BE DRAWN DOWN FOR PLANNING PURPOSES AT THE DISCRETION OF THE LOCALITY. THIS REQUEST WOULD NOT INCREASE FEDERAL FUNDING, BUT SIMPLY WOULD GIVE LOCAL GOVERNMENTS WITH FAIX FUNDS GREATER LATITUDE IN USING SUCH FUNDS TO MEET LOCAL TRANSPORTATION NEEDS. CURRENTLY, 1 1/2% OF THE HIGHWAY APPORTIONMENT IN MOST STATES IS DRAWN DOWN FOR PLANNING AND RESEARCH PURPOSES. UNFORTUNATELY, SIMILAR AUTHORITY IS NOT AVAILABLE FOR FAIX FUNDS. THUS, COMMUNITIES WHICH HAVE WITHDRAWN NON-ESSENTIAL INTERSTATE SEGMENTS ARE, IRONICALLY, NOT PERMITTED TO USE AVAILABLE FUNDS FOR PLANNING PURPOSES AT THE VERY TIME PLANNING FUNDING IS MOST NEEDED TO DEVELOP SUBSTITUTE PROJECT PROGRAMS THAT WILL BEST SERVE THE TRANSPORTATION NEEDS OF THE COMMUNITY. THE PROPOSED REAUTHORIZATION LEGISLATION IN THE SENATE, S. 2527, AT SECTION 109, WOULD PERMIT LOCALITIES WHICH RECEIVE TRANSFER FUNDS TO SEEK PLANNING FUNDS IF THEY DESIRE. WE SUPPORT THIS PROVISION AND URGE THAT IT BE INCLUDED IN THE FINAL LEGISLATION.

FINALLY, WE REQUEST THAT CONGRESS CONSIDER THE NEED FOR URBAN HIGHWAY IMPROVEMENTS WHEN THE STAA IS REAUTHORIZED. THE 1982 ACT INCREASED TOTAL FUNDING FOR HIGHWAYS FROM \$8 BILLION TO \$12 BILLION ANNUALLY. HOWEVER, NEARLY ALL OF

THIS INCREASE WENT TO INTERSTATE AND PRIMARY ROUTES. NONE OF THE INCREASE WAS ALLOCATED TO LOCAL ARTERIALS ELIGIBLE FOR FAUS FUNDS. AS A CONSEQUENCE, LOCAL GOVERNMENTS CONTINUE TO FACE EVER-RISING TRANSPORTATION COSTS THAT WERE NOT ADDRESSED IN THE STAA OF 1982. FOR EXAMPLE, THE CITY OF PORTLAND CURRENTLY DRAWS \$18 MILLION FROM NON-GAS TAX REVENUES TO SUPPORT TRANSPORTATION INFRASTRUCTURE AND EXPECTS THIS SUBSIDY TO CLIMB TO \$34 MILLION BY 1986.

ROUTES FOR INTERSTATE AND INTRASTATE LONG-DISTANCE TRAVEL ARE VERY IMPORTANT, BUT URBAN ARTERIALS ARE ESSENTIAL TO STIMULATING ECONOMIC DEVELOPMENT AND THEY ACTUALLY CARRY 50% OF ALL VEHICULAR TRAFFIC. THIS NATION'S CONTINUED SUPPORT OF ITS URBAN TRANSPORTATION INVESTMENTS IS ESSENTIAL TO THE CONTINUED LIVABILITY AND ECONOMIC VITALITY OF AMERICA'S CITIES. WE ASK YOUR SUPPORT AND ASSISTANCE IN SEEKING SOLUTIONS TO THESE PROBLEMS.

THANK YOU, MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, FOR YOUR THOUGHTFUL CONSIDERATION IN ADDRESSING THESE CONCERNS.

TEXAS DELEGATION

STATEMENT OF HON. JOHN TOWER, U.S. SENATOR FROM TEXAS

Senator ANDREWS. This looks like the Dallas group. Let me preface your appearance by putting the remarks of Senator Tower in the record as though given immediately preceding your remarks. Let me assure you that your remarks will be in the record as though given and you can summarize them in any way you wish.

STATEMENT OF SENATOR TOWER

Mr. Chairman, it is with a great deal of enthusiasm that I introduce to you Chairperson Harrison and Dallas Area Rapid Transit (DART). This represents the Dallas metropolitan area's first opportunity to come before this distinguished subcommittee and describe its plans for regionwide mobility.

Last August, the voters of the 15 municipalities, including Dallas, voted overwhelming support for the creation of regional transit authority, a 1-percent sales tax, and a fully integrated transportation plan. This plan will be the focal point of regional transit needs into the 21st century. Extensive community involvement was utilized in the

development of the approved service plan. It is my understanding that DART will use 95 percent of local funds to complete the proposed integrated bus and rail system. I believe that you will find their proposal meritorious and worthy of your careful consideration.

Mr. Chairman, I would like to introduce Adlene Harrison, chairperson of DART, who will present DART's testimony.

Thank you.

STATEMENT OF ADLENE HARRISON, CHAIRPERSON OF THE DALLAS AREA RAPID TRANSIT

Ms. HARRISON. Thank you, Mr. Chairman. I am Adlene Harrison, chairwoman of the Dallas Area Rapid Transit Authority, which is a new regional authority.

The mayor sends his regrets. He became ill yesterday. Seated with me here is chairman of our Dallas Transit System, Mr. Richard Roberts, and our executive director, Cliff Frank.

I would like to make my remarks brief and turn it over to Mr. Roberts in that I think Dallas and 14 cities have done something that is very unique.

And last August we passed referendum where the citizens voted a 1-percent tax upon themselves to create this authority. We are not looking for any rail money. We are going to fund the system, 95 percent of it.

We need it for an 850-square mile area that has not had a public transportation system, and we need bus money. So that is primarily why we are here. We think that we need a public transportation system to save fuel and continue our growing economy, and we are looking toward Congress to help us on the bus side.

So I am not going to take up any more time and I would like Mr. Roberts to speak to what the bus needs are.

Senator ANDREWS. Mr. Roberts?

STATEMENT OF RICHARD ROBERTS, CHAIRMAN, DALLAS TRANSIT BOARD

Mr. ROBERTS. Thank you, Senator Andrews. I am chairman of the Dallas Transit Board, which is the contract authority which will be actually putting the service on the street, pursuant to the funds provided to us by DART.

What we are asking for here today is funding for the immediate action program, which will be an expansion of bus and bus-related facilities through the end of 1986.

We have grant applications spending with UMTA now which we are hoping will be favorably acted upon and we are looking for upwards of \$7 million of the bus and bus-related facilities section 3 money for the 1985 appropriations process.

With that money we, and the additional moneys through 1986, expect to purchase 556 new buses which would double our existing fleet; two new maintenance centers which are a prerequisite to putting those new buses on the street since we are bursting at the seams now in terms of our maintenance capability, and would add only that we were hopeful of staying out of the new-start struggle at this point though we think we

qualify and would come out very close to the top in any objective analysis of new starts.

And we are asking for these funds through the section 3 bus and bus-related funds and would hope that our friends in the Senate and the House would make sure there is a sufficient amount in that account to ensure that we would be able to get this major portion of those funds that we are seeking.

Senator ANDREWS. Thank you very much. We will study your prepared remarks very closely and we appreciate your taking the time to come.

[The statement of Mayor Taylor follows:]

STATEMENT OF A. STARKE TAYLOR, MAYOR OF DALLAS, TEX.

DALLAS AREA RAPID TRANSIT BOARD

Summary of Project

and Request for Federal Participation

. The Dallas Area Rapid Transit System has begun construction of an integrated rail, bus and highway transportation system financed primarily (94.5%) by local funds (fare box revenues and a 1% sales tax).

. This system will serve one of the fastest growing metropolitan areas in the United States.

. Financial projections between 1984-2010 (the year in which the entire system will be in place) indicate that over that period revenues will exceed costs.

. DART is not requesting New Start rail funds and does not plan to apply for any federal monies for the rail program.

. However, the D.A.R.T. plan calls for a doubling of bus service by the end of calendar 1986 and this will require Section 3 discretionary funds over the next five years to assist the authority in purchasing 600 new buses, 3 maintenance facilities and related equipment:

FY 1984-88 Actual Capital Needs	
	(x000)
FY 1984	\$33,113 (Grant Applications Filed)
1985	69,722
1986	5,105
1987	11,014
1988	2,737

. D.A.R.T. is seeking support for these requests in light of the short term extraordinary need for bus funds, the massive local commitment of support and the decision not to seek New Start monies.

Mr. Chairman and distinguished members of the Subcommittee. Thank you for this opportunity to appear before you to discuss the public transportation program in the Dallas, Texas area.

I'm Starke Taylor, mayor of the city of Dallas, and a member of the City's Dallas Transit Board. Today with me are Ms. Adlene Harrison, chairwoman of Dallas Area Rapid Transit, our new regional transit authority that encompasses Dallas and fourteen area cities; Mr. Richard Roberts, chairman of the Dallas Transit Board; and Mr. Cliff Franklin, General Manager of the Dallas Transit System.

As many of you know, the Dallas metropolitan area is one of the fastest growing in the entire nation. In fact, census bureau figures reveal that two of the counties within our region are among the five fastest growing in the United States and that the entire area has increased in population 13 percent since 1980.

Growth such as we are experiencing requires careful short and long term planning or we will rapidly discover that available public services will be completely incapable of responding to public needs. To allow that to happen would be to court disaster - that is one thing we have all tried to avoid.

Many political community and business leaders within this region came to realize several years ago that if we didn't begin planning for the needs of this growing population we would soon be in serious trouble.

Fortunately, automobile traffic still moves in Dallas - most of the time, but we'll soon be in the position that other cities are in today. Our roads will be impassable and our quality of life will begin to deteriorate.

We don't want this to happen and to prevent it we knew that we would have to design a system that will get people out of their cars and onto our trains and buses. We knew, too, that if we could design such a system there would be many tangible and intangible benefits that don't show up on a transit system's balance sheet; a more vibrant regional economy, massive fuel savings, cleaner air and a far more pleasant life style for our people.

Moreover, we realized that our problems extended far beyond the borders of any single community or jurisdiction within the Dallas metropolitan area and that our response would have to be developed with the needs and desires of all people of the region in mind.

Although Dallas is the single largest governmental unit in the region, the transit authority encompasses approximately 850 square miles and fifteen separate municipalities - all of which are represented on the D.A.R.T. Board.

Last August, the voters of the region approved both the creation of a regional transit authority and imposed upon themselves a one percent sales tax because they have complete confidence in the area and the past accomplishments of governmental entities locally. The tax will finance an integrated transportation system that we believe will serve our needs into the next century.

That vote represented the culmination of a two year development effort led very ably by Ms. Harrison as Chairman

of an interim D.A.R.T. Board charged with the responsibility of developing an effective and politically acceptable plan.

Ms. Harrison and her colleagues on the interim board were aided and assisted by a privately organized Transportation Task Force that grew to include more than 7,000 volunteers who worked first to encourage community involvement in the development of the plan and then to explain the plan to the voters of the region.

The level of support that developed - and which D.A.R.T. continues to enjoy - has been unprecedented in my own experience. In fact, at one point the Wall Street Journal described what developed in the Dallas region as "the most extensive community involvement program for any public project." The result of all this is a Service Plan of which all segments of our community can and do support.

As a result of all this effort I firmly believe that we come before you today to discuss a plan that may be unique both in the way it has evolved and in the level of across the board local support it enjoys.

It is unique also in that fully 95% of the funds needed to complete our bus and rail system currently planned will come from local revenues - not from Washington.

You know, Mr. Chairman, the communities involved in D.A.R.T. have a tradition of doing for ourselves whenever possible. When we see a problem we tend to see if we can't do something about it ourselves rather than looking to our neighbors to do it.

That's why you don't see us up here very often looking for money. We want to be treated equitably, of course, but we don't put programs together just because there's federal money available or look to the federal Treasury as the best or first source of funds.

Our area now stands before you with what we feel is a very good plan for service that includes both immediate needs (through an aggressive bus-oriented program that doubles the bus service by the end of 1986) and the long-term needs of the area (through a rail program that is staged in three phases between now and 2010). We also have the institution to make it work -- with the establishment of the regional transit authority. More importantly, we have now a local dedicated funding mechanism, the one percent sales tax.

The Dallas area has always sought solutions in a manner consistent with this tradition. We dealt with our water problems by planning for the future and developing a plan of action. We worked together with our sister city, Ft. Worth, to develop one of the greatest airports in the world, Dallas Ft. Worth Regional Airport. This same "can-do" attitude is, in my opinion, reflected in our approach to the area's transportation needs.

We firmly believe the DART Service Plan is a "good business" plan, taking a fiscally conservative approach to developing a public transit system. Our financial approach emphasizes local commitment, through system revenues and the one percent

local sales tax. It calls for transit system fares to cover 45 percent of operating costs in 1986 and at least 50 percent of bus operating costs by the Year 2000.

Our desire to rely on local funding and support is reflected in the absence of any short-term request for federal operating assistance. Instead, through an agreement with the City of Dallas, the designated recipient of the Urban Mass Transportation Administration funds, UMTA funds will be concentrated to capital needs for system expansion. In fact, no federal monies have been included in the DART financial plan for rail system development or operation.

A summary of the financing required for the DART program between 1984 and 2010 is as follows:

Revenues*

Sales Tax Receipts	\$5,560
Fare Box Revenues	2,880
Federal Grants (Bus-related)	480
	<u>\$8,920</u>

Costs*

Capital Projects (Bus and Rail)	\$4,210
Operating Expenses	4,490
Administration	50
	<u>\$8,750</u>

*All revenues and costs in 1982 dollars; in millions

These projections are both realistic and demonstrate our commitment to funding the public transportation program at the local level. Our request for federal participation represents 5.5 percent of the total program, or 11.4 percent of the capital program.

DART will be phasing in expanded and improved bus service and other public transit services during the next three years. By the end of 1986 our Immediate Action Program of the Service Plan calls for a doubling of our bus fleet; the institution of 25 timed transfer centers; two new maintenance facilities, a supplemental maintenance facility, and improvements to existing facilities; vans for a vanpooling program; an extensive rideshare program; a 4-6 mile contraflow bus lane; and vans for special handicapped service.

We now carry 32 million passengers a year. With the completion of our Immediate Action Program we will carry 45-48 million passengers a year.

The DART Rail Plan calls for an ultimate 160-mile rail system, with 98 stations, that will be fully integrated with the bus system. It is projected that 523 rail vehicles will be required. Additionally, during the next 27 years approximately 1,555 buses will be needed to provide continuing bus service and the necessary bus system to interface with the rail service. The long range plan also calls for 23 miles of high occupancy vehicle lanes along the northern portion of the LBJ Freeway between Interstate 35 and

Interstate 30. Operation of the first rail line is expected in 1985.

As in many Dallas area projects, the private sector plans to work with the public sector in making a better Dallas for all. We have already had developers and land owners offering land for right-of-way, and show interest in joint station development before DART has even had a chance to request it. We expect many of our stations to end up being partnership efforts.

DART is directed by a 25-member Board of Directors chaired by Ms. Harrison, appointed by the governing bodies of the local governments in the DART area. Cities participating in the DART program are: Addison, Carrollton, Cockrell Hill, Coppell, Dallas, Farmers Branch, Flower Mound, Garland, Glenn Heights, Highland Park, Irving, Plano, Richardson, Rowlett, and University Park. The Dallas County Commissioners Court also appoints one member to the DART Board. Membership on the Board is proportional, based on the population of each community (with the exception of the Dallas County member).

As a matter of policy, the DART Board has chosen an organizational structure that calls for a relatively small, highly professional staff. In comparison, some transit authorities now have staffs of 100-600 white-collar workers. Most public transit services will be provided by DART through contracts with public and private entities. The city of Dallas, for example, provides services under contract with DART. DART is also requesting proposals from private operators for service in the suburban cities of the region. This approach is representative of the Board's desire to provide a quality service to the community in a financially responsible manner.

So I come to you today for several reasons:

First, to let you know that we believe the way in which we involved our community in the development of a transit plan may be worth looking at as a model worthy of emulation by other communities facing the same challenge.

Second, to give you an opportunity to review our plan and to ask us questions about it, and

Third, to discuss with you that portion of the overall cost that we in Dallas will be looking to you for help in getting.

We know that we could qualify as a New Start which would allow us to seek your assistance in procuring a share of the New Start rail monies available under the program as currently structured, but we aren't doing that because we like to view our system as a new start with a new idea.

We are going to proceed without requesting such funds. Instead, we plan to build the rail portion of our system without assistance. When we were developing our program locally, we knew of the tenuous nature of the rail funding program. We knew that if we built massive federal funding into our program, we would not be able to guarantee its implementation to our citizens in spite of the fact that we are convinced that our plan is one of the best in the

country. So, we chose to ask the citizens for a one percent sales tax, and to develop our plan using that funding source and our projected revenues as our bank account.

So let me repeat what I have already said, we are not here to ask you to sign any blank checks for our rail program.

Our plan does, however, include the possibility of federal funding to assist in our bus purchases and the development of bus-related facilities.

We would like you to give special consideration to our extraordinary bus-related needs. While Dallas has taken advantage of all of the formula UMTA funds available in the past, we have not requested much in discretionary funds. We now do have extraordinary needs for assistance with bus-related facilities and bus acquisitions.

Because we are attempting to nearly double our bus service before the end of calendar 1986, our Fiscal Year 1985 need is the greatest it has ever been or will ever be. Our financial plan for the next five years (including the current fiscal year) for federal grant applications under the Section 3 discretionary program is:

FY 1984-88 Actual Capital Needs*
(x000)

FY 1984	\$33,113
1985	69,722
1986	5,105
1987	11,014
1988	2,737

*600 buses, 3 maintenance facilities, related equipment

I recognize that this represents a significant proportion of the bus funds likely to be included in the FY 85 appropriation, but in light of our extraordinary needs, the massive local commitment of support and funding and our decision not to seek New Start monies, we view it as a reasonable request. We hope you will agree.

In conclusion, let me just say that we are proud of the Dallas region and its citizens. We're proud of our commitment to the future and we're proud of the fact that our people attack problems head on.

That's what we've done here by choosing to build an extensive rail system without federal assistance, and we will show you that we can do that. We do need your help in rewarding a community that has requested very little in the past for bus discretionary assistance. We feel our time has come to request your funds in this area. In implementing our transportation program we will address the mobility demands and improve the quality of life for the people of one of the nation's fastest growing metropolitan regions.

Thank you.

UNITED FISHERMEN OF ALASKA

STATEMENT OF C. DEMING COWLES, WASHINGTON COUNSEL

Mr. COWLES. Senator Andrews, my name is Deming Cowles. I am here today as Washington Counsel to the United Fishermen of Alaska who appreciate the opportunity to testify on the appropriations for the Coast Guard.

For your information UFA is the largest single amalgamation of fishermen in the State with 20 local associations and some 1,500 individual members.

We have a great respect for the Coast Guard which provides search and rescue, environmental protection, and enforcement of the Magnuson Act in the Alaska Fishermen Conservation Zone and all central activities for the livelihood of Alaska fishermen and the protection of the fishery resources that meet the needs of national and international markets.

Concerning search and rescue, last year the Coast Guard had some 1,127 calls and saved 334 lives in Alaska, otherwise assisting 1,708 persons; although 93 lives were lost in Alaskan waters.

With regard to enforcement against violations by foreign fishing vessels, increased boardings are in order and we would ask for additional funding for those purposes. The Coast Guard has recently been boarding some 66 percent of the foreign vessels in the Alaska FCZ and finding 16 percent of the boardings resulting in citations for violations.

As you know the Alaskan coastline constitutes over one-half the total U.S. coastline. It provides some 95 percent of the fish caught by foreigners in the entire United States of Fisheries Conservation Zone. Immense amounts of salmon and other species are caught by other fisheries all over the west coast and the rest of the United States.

Greater emphasis is placed on developing so-called underdeveloped species by American fishermen, and the coastline is also looked on with greater intensity as a hopeful source for further reserves of oil and gas.

The UFA does support additional acquisition money for the Coast Guard to provide greater cutter, helicopter, and C-130 coverage in Alaskan waters, and I should say and frankly meant to say at the outset that we understand the seriousness for the need of stepped-up efforts on drug enforcement, and we are not asking the Coast Guard to reduce its drug interdiction efforts in the waters off the lower 48 in order to increase its enforcement capability in the areas of foreign fishing violations in the Alaska FCZ. Both are vital functions and one should not be disadvantaged at the other.

The Coast Guard should be encouraged to step up plans for locating the facility of the Bering Sea area to provide additional and more timely response to search and rescue requests, and more expanded coverage for enforcement of fisheries laws.

Plans to locate an air station base, a deployed detachment at Dutch Harbor capable of receiving C-130's are on the drawing board now. Needed this year are \$15 million for survey design and State acquisition work.

Finally, I would like to mention that we believe the fisheries loan fund proceeds should be used for fisheries development related activities as originally intended and not distributed to other Federal agencies to replace general program funding.

Senator Andrews, this morning I was advised by the Governor's office that the Governor of Alaska would like to submit a statement as well and would ask if the record could be held open to receive that statement.

Senator ANDREWS. The record will be open for approximately 1 week. So if you will see that that statement gets to us, it will appear immediately after yours.

Let me assure you that the subcommittee is well aware of the situation in Alaska. Senator Stevens while not on the subcommittee, of course, was instrumental in transferring that C-130 up there.

And it is also with his cooperation on the defense subcommittee, which he chairs, that we were able on this subcommittee to use Defense Department funds to add \$300 million to ship purchases by the Coast Guard.

We had a little problem with the administration but those are being ironed out, so I think we are moving in the direction you will want. We certainly hope so.

Mr. COWLES. We appreciate your support.

Senator ANDREWS. We appreciate your coming here today and your understanding of our time constraints. Thank you, sir.

[The statements of Mr. Cowles and Governor Sheffield follow:]

STATEMENT OF C. DEMING COWLES

I am C. Deming Cowles, Washington Counsel for the United Fishermen of Alaska (UFA). My office is at 1050 Thomas Jefferson Street, N.W., Sixth Floor, Washington, D.C. 20007. The UFA's main offices are located at 319 Seward Street, Suite 208, Juneau, Alaska 99801-1188. UFA is a private, non-profit, statewide organization for local fishermen's associations, permit holders and crew members, consisting of some 1,500 individual members, and 20 member organizations. UFA has been active on specific national fishing legislation since its creation in 1972 and has recently expanded its efforts on the national level to increase public awareness of the importance of commercial fishing to the nation. Today it is our privilege to provide a few words during these Coast Guard appropriations hearings on the national importance of the Coast Guard to commercial fishing operations in Alaska.

At the outset, the Subcommittee should be aware that Alaskans in general, and Alaskan fishermen in particular, hold the Coast Guard in very high regard. Alaskans depend on the Coast Guard for search and rescue, oil spill clean-up, marking of hazards to navigation, ice breaking and enforcement of fisheries regulation in the gargantuan 200 mile Alaska Fisheries Conservation Zone. The Coast Guard acts many times as the fisherman's lifeline, and in some instances its lifesaver. They do an admirable job in every way. UFA is here today to express its continuing support for the Coast Guard's efforts to meet its responsibilities so vital to our fishermen, and to support additional funding for essential Coast Guard operations in Alaska. In short, we need the Coast Guard to be able to do more.

Some facts will put the Alaska fisheries in economic perspective. On any given week, depending on the fishery season, there are likely to be some 300-400 foreign vessels fishing in Alaskan waters. A total of 554 foreign vessels gathered 1.3 million metric tons from the Alaska FCZ last year. 95% of fish caught by foreigners in the United States FCZ are caught in the Alaska FCZ. As well, there are 625 Alaskan and other domestic vessels fishing and tendering fish. In Alaska, there are some 195 domestic processing vessels and shore-based facilities preparing fish and products for market. The value

of the Alaska fishery at the wholesale market is some \$1.5 billion. Some 29,000 shore workers from Alaska, Washington, Oregon and the rest of the nation, are employed in processing facilities in Alaska. Some 15,000 domestic fishermen earn their living from the Alaska fisheries. It is a big and important business to Alaska and the nation as a whole.

SEARCH AND RESCUE

The most important function performed by the Coast Guard in Alaska is search and rescue. It is difficult to name a more hazardous occupation than commercial fishing in the waters off Alaska, unless it is the effort of the Coast Guard to rescue fishermen from a disabled or sinking vessel. Fishermen are subjected to some of the fiercest, most unpredicable weather and seas in the world; "safe harbors" are not easily and rapidly found when storms come up, as they do so frequently and unexpectedly. Ports are few and far between. The Coast Guard, with its complement of 2,066 men, 12 vessels, and 16 planes and helicopters must attempt response to fishermen's needs along a coastline greater in size than the coastline surrounding the entire lower 48.

Primary Coast Guard rescue efforts in western Alaska are out of the Kodiak Station on Kodiak Island. The goal for response is 45 minutes; the actual response by helicopter is more in the four hour range, with delays due to weather and distance reaching 2+ hours at times for cutter assistance. For example, the enormous fishing grounds in the Bering Sea area are some 450-500 miles from the Kodiak Station. It should be added here that efforts to expand bottom or under-developed fisheries will be centered in part in the Bering Sea, ultimately creating a great deal more vessel activity. As well, certain proposed oil and gas activities (which UFA regards with some substantial concern, particularly highly valuable fisheries areas such as Bristol Bay) would, if authorized by the federal government, be centered here as well.

Within 100 miles of Dutch Harbor, Alaska, in the Bering Sea, there were 8 major vessel casualties with the loss of 22 lives in 1982 alone. Within 250 miles of Dutch Harbor, there were an additional 60 life-threatening incidents. Again, the nearest Coast Guard station is several hundred miles away.

Overall, in Alaska, in the recent years of 1981-83, some 363 lives have been lost with approximately 100 fishing vessels sunk. 60% of the lives lost were commercial fishermen. The "good news" comes in the number of lives saved -- 713 -- and the number of persons otherwise assisted -- 5,626 -- through the prodigious efforts of the Coast Guard. A graphic representation follows:

COAST GUARD SEARCH AND RESCUE STATISTICS FOR ALASKA,
1981-83 (Vessel Cases Only)

Year	Search and Rescue Calls	Lives Lost	Lives Saved	Persons Otherwise Assisted	Property Lost	Property Assisted	Fishing Vessels Lost
1981	1142	148	190	1926	\$16,500,000	\$ 35,000,000	39
1982	1127	122	189	1992	\$32,000,000	\$101,000,000	39
1983	1127	93	334	1708	\$16,600,000	\$ 67,000,000	—

The difficulties in search and rescue operations in the Gulf of Alaska are perhaps best understood by looking at case histories of rescue operations performed in 1983:

On August 4, 1983 the 30-foot F/V Four D was disabled by bad fuel, was adrift and taking on water 80 miles from Yakutat in the Gulf of Alaska. Although located by a Coast Guard HC-130, cutter assistance was over 24 hours away. A nearby ARCO drill rig, Ocean Odyssey, launched a rig tender, which saved the Four D and very likely, the lives of the crew. This was one of three incidents last year when ARCO personnel and equipment were instrumental in saving lives at sea.

On 25 August 1983, a helicopter was launched from Ocean Odyssey to save the crew of the fishing boat Paula Diane from their liferaft. The Coast Guard helicopter dispatched from Sitka required over two hours in route.

When the Tug Eagle capsized off Yakutat, one surviving crew member spent 2.5 hours in the water (in an exposure suit) awaiting the arrival of the Coast Guard H-3 helicopter from Sitka.

With increased activities in the Alaska FCZ for an expanding number of species, it is certain that there will be a

greater need for Coast Guard manpower and equipment for search and rescue operations. That does not even speak to the question of increased general shipping activities and the possibility of increased activity due to any approved oil and gas leasing exploration and development.

UFA would like to make one additional point concerning search and rescue operations. The importance of Coast Guard, and other agency, training and technical assistance with regard to vessel and crew safety cannot be overemphasized. Without proper procedures established for emergency situations and without the ready availability of equipment such as exposure suits, even the most effective and speedy response would be thwarted.

ENFORCEMENT

The certainty of increased need for Coast Guard manpower and equipment applies equally in the area of enforcement of fisheries regulation as greater emphasis and pressure are placed on the Alaska FCZ. As well, we can gain markedly in employment of more sophisticated sensory equipment to assure closer adherence to conservation laws.

Testimony before this Committee in March of 1982 indicated an increase in violations found on foreign fishing vessels boarded in 1981 over 1980. As the number of boardings on foreign vessels increased in 1982 and 1983, the number of violations found decreased. Still, in 1983, the Coast Guard discovered that of 370 foreign vessels boarded (66% of the foreign fleet), 16% were in violation of fisheries regulations. To UFA, that clearly means increased emphasis on enforcement is in order. Currently, the Coast Guard goal is to board each vessel in the FCZ once very three months. Six to eight hours are required to complete thorough inspections, including inspection of the hold, checking frozen blocks and species composition, and review of logs.

Currently, the major shortfall in enforcement UFA is aware of with regard to adequacy of cutter support is in the capability to launch helicopters at sea. High and medium endurance cutters assigned to Alaska have facilities to launch the short-range H-52 helicopters. This obviously provides

expanded coverage in fisheries enforcement. Two Coast Guard vessels assigned to Alaska do not have this capability, however. They are the converted ocean tug, Yacona, and the medium-endurance vessel, Storis. With expanded activity in the Alaska FCZ, it would make sense to have all cutters capable of providing the greatest amount of support to enforcement against violation by foreign fishing vessels.

Increased use of aircraft goes hand in hand with cutter activity in protecting our FCZ from conservation violations by foreign vessels. Obviously, substantial portions of the FCZ can be covered quicker and more frequently by C130 and helicopter, the mere presence of which can serve as a deterrent to illegal activities. For enforcement and safety purposes, more sophisticated sensory equipment needs to be incorporated in all aircraft on fisheries patrol in Alaska. It is UFA's understanding that the Coast Guard budget provides for installation in at least some C130's this next fiscal year. This "FLAR", or forward-looking radar, will enable more accurate detection of vessels and people, and can be fitted on helicopters as well.

A major drawback of the FLAR system is its inability to produce an image on a television screen or in hardcopy. Such a capability does exist with the "SLAR" or side-looking radar system. What seems necessary is a means of incorporating an "AIREYE"-type system (as presently installed in Coast Guard jets) in the C130's. That would enable C130's to obtain television or hard copy pictures of vessels, gear, vessel name and the like to provide documentation of permit violations. It would also be helpful in keeping track of the problems our fishermen are increasingly faced with in regard to entanglement with monofilament and other gear left on the high seas or in our waters by foreign operators. Expanded air coverage through increased C130 flights equipped with "AIREYE"-type systems would be an enormous complement to the NMFS observer program in beefing up efforts at surveillance and enforcement.

Southeast Alaska fishermen send a special note of thanks to the Coast Guard for their recent enforcement efforts against Canadian vessels in Alaskan waters near Ketchikan. The Canadians have been charged with fishing over the boundary

line, processing their catch while anchored in Alaskan waters at night and fishing their way out from their anchorage the next day.

TRANSFER OF FUNDS FROM FISHERIES LOAN FUND

The Administration budget proposes to divide the proceeds of the Fisheries Loan Fund at the end of the fiscal year, with \$45,000,000 allocated to the Coast Guard. UFA opposes such a move. American fishermen are at a substantial competitive disadvantage with foreign fishermen whose governments provide deep and heavy subsidies for every phase of fisheries development and operation. Those incentives initially established to provide some assistance to American fishermen by allowing for loans to finance needed capital should not be dispensed with in order to provide needed assistance to the public at large. This is particularly so in light of increasing Congressional recognition that surgically designed incentives are clearly in order to promote American fisheries.

RECOMMENDATIONS

1. The Coast Guard should be provided additional financial resources to increase search and rescue and surveillance activities for enforcement to accommodate increased activities in the Alaska FCZ. We are not asking the Coast Guard to reduce its drug interdiction efforts in the waters off the lower 48 in order to increase its enforcement capability in the area of foreign fishing violations in the Alaska FCZ. Both are vital functions; neither should not be disadvantaged at the hands of the other.

- a. The Coast Guard should be provided additional acquisition money to provide adequate cutter, helicopter and C130 coverage in Alaskan waters as well as adequate expenses to cover costs of operating equipment stationed in Alaska.

- b. All C130 and helicopter aircraft in Alaska should be outfitted with "FLAR" equipment for search and rescue and enforcement purposes. A research and development project should be funded in fiscal 1985 to develop an electronic sensor package that could be incorporated with FLAR to provide hard copy photography

and other benefits of an "AIREYE"-type system for enforcement purposes.

c. Increases in Coast Guard personnel budget should be made to reflect increased activities in water off Alaska, and the provision of additional aircraft and cutters. On a specific case, UFA supports the efforts of Congressman Young and Senator Stevens to assure there are no personnel cuts (uniformed or civilian) for the important Kodiak facility.

2. The Coast Guard should be encouraged to step up plans for locating a deployed detachment facility in the Bering Sea area, to provide additional and more timely response to search and rescue requests, and more expanded coverage for enforcement of fisheries laws. The expense is clearly justified by the need; the need can be met, at least initially, by providing funding for an austere but adequate facility. Plans to locate an air station/base at Dutch Harbor capable of receiving C130's are on the drawing board now. Such plans call for hangars, two H-3 helicopters, additional officers and enlisted men and adequate housing and other support facilities.

The Coast Guard should be adequately funded to expedite the planning approval and construction processes. What is specifically needed in fiscal 1985 is funding for survey, design and site acquisition work. Fifteen million dollars should meet those needs. Funding should be made available to complete the facility in fiscal 1986 and fiscal 1987.

3. In the area of environmental response, the Coast Guard should be adequately funded for appropriate studies and demonstration projects, so that investigations into clean-up in broken ice conditions in Alaska can be coordinated with other federal and Alaska agencies. In a recent vessel spill in broken ice conditions, the Coast Guard found there was little or nothing they could do with current procedures and equipment.

4. The Fisheries Loan Fund proceeds should be used for fisheries development-related activities as originally intended, and not distributed to other federal agencies to replace general program funding.

Outline of Testimony
of
United Fishermen of Alaska
Concerning
Coast Guard Appropriations

- ° United Fishermen of Alaska represents 1500 individual fish permit holders and crew and 20 local fishermen's associations.
- ° Alaskans and Alaskan fishermen look to Coast Guard primarily for search and rescue, clean-up and enforcement in Alaska FCZ.
- ° The Alaska fisheries provide some 44,000 jobs to fishermen and shoreworkers. Approximately 625 domestic fishing and tendering vessels, 195 domestic processing vessels and 550 foreign vessels operate in the Alaska FCZ.
- ° The most important Coast Guard function in Alaska is search and rescue. In 1983, on 1127 calls, 334 lives were saved, 93 lost and 1708 persons were otherwise assisted. Response time averages some 4 hours for the major search and rescue center (Kodiak) for Southwest Alaska. As fishing increases and other activities arise in offshore areas of western Alaska, a new facility should be located on the Alaskan Chain.
- ° The Coast Guard performs enforcement activities in the Alaska FCZ. The Guard boarded 66% of the foreign fleet in 1983, finding 16% of vessels boarded in violation of fisheries regulations. More frequent and prompt surveillance can occur with increased use of C130's and helicopters, equipped with forward-looking radar. What is needed is a method of incorporating more sophisticated sensory equipment that can produce images on a television screen or in hard-copy.
- ° Funds should not be transferred from the Fisheries Loan Fund to the Coast Guard. Rather, those funds should be retained for their original purpose in providing needed financial assistance to the domestic fishing industry, which is already at a competitive disadvantage with heavily subsidized foreign fishing operations.

STATEMENT OF BILL SHEFFIELD, GOVERNOR OF ALASKA

I understand that the Subcommittee is considering funding for a Coast Guard search and rescue facility for the Bering Sea. The State strongly supports the establishment of a facility in the area for the reasons outlined below. While the Bering Sea, off Alaska's western coast, offers great potential for fisheries development, it is an extremely hazardous area, and annually takes the lives of too many American and foreign fisherman.

Unalaska (Dutch Harbor) is the focal point for the development of Western Alaska's fishing and offshore oil industries and their related support industries. It is host to a heavy concentration of shoreside fish processors, each supported by a fleet of domestic fishing vessels. The overflow is moving into Akutan Harbor, thirty miles to the east, spurring development of that port. Last year the first domestic bottomfish catcher/processors began working in the Bering Sea and two more such vessels are under construction.

Oil and gas lease sales have recently occurred in the St. George Basin (north of Unalaska) and the Navarin Basin (northwest of the Pribilofs). Additional sales are currently scheduled for those areas and for the North Aleutian Basin (northeast of Unalaska). Oil companies have stated that after investigation of several alternatives, Unalaska is the only suitable location for staging operations for exploration and development of these prospective frontier areas. Given this level of activity and the hazardous nature of the marine environment, the location of a search and rescue facility in the area will likely save hundreds of lives and million of dollars of property.

However, despite the fact that Unalaska is the regional economic center for the Aleutians, its air support facilities are increasingly inadequate to meet basic life/safety requirements for the expanding U.S. bottom fishing industry in the Bering Sea and adjacent waters. We recognize the Coast Guard's need for improved airport facilities to be able to operate adequately from this area. Improvements are under active consideration by the State, with the latest effort directed at relocating the runway to achieve lower costs. Airport improvement will be an expensive operation and some cost sharing between the Federal and State governments would work to our mutual benefit.

Thank you for your consideration.

Sincerely,


Bill Sheffield
Governor

COMMITTEE OF 100 ON THE FEDERAL CITY

STATEMENT OF EDWARD LYLE

ACCOMPANIED BY DAVID GRINELL, CHAIRMAN

Mr. LYLE. Mr. Chairman, my name is Edward Lyle and I am here representing the Committee of 100 on the Federal City and I am accompanied by our chairman, David Grinell.

Our organization is the oldest and one of the most active public interest organizations in Washington, D.C., devoted primarily to city planning. We were active in the 1960's in helping to restrain the extension of highways into downtown Washington, D.C., and are here today in support of the Washington Metropolitan Area Transit Authority, metro rail, and advocate the funding of that system for the coming year at the maximum rate possible to complete the adopted regional system here in Washington, D.C.

For the remainder of my time I would like to put aside the statement, ask that it be submitted in the record, and talk briefly about one development which is occurring on Pennsylvania Avenue as it goes across the Anacostia River.

That spot is known as Barney's Circle, and the Federal Highway Administration has just approved the construction of a new bridge in addition to the one already going across the river, a four-lane bridge which would connect the Anacostia Freeway with the Southeast-Southwest Freeway to iron out some local commuter problems.

One thing that will do, in addition to bringing commuters in, however, we think is to bring also intercity coming from Baltimore going south and coming north from Richmond going north, through the Southeast-Southwest Freeway, closer into the city rather than using the beltway.

And the reason for that is it is a straighter shot going through the city to do that. So that if commuting on the Southeast-Southwest Freeway has been interesting up to this point, it is going to be doubly so.

The reason they are building that, so they say, is because there is no mass transit alternative to get those commuters northeast of Washington down into town. And we are not saying that that bridge could have been avoided had there been a particular leg of metro system in that particular area, but what I am saying is that I think that is symbolic of what is going to happen, more bridges, more highways, more cars, more smog, more congestion if the system here in Washington is not funded past what the administration currently advocates it being funded to.

And so, therefore, we advocate going past what the administration supports to pick up those commuters who are out there, get them out of their one-person, one-car situation coming into Washington and make this city more worthy of a great Nation's capital.

Thank you very much.

Senator ANDREWS. Thank you very much, and your statement will appear in its entirety. One proposal that I would like to run by you that was offered sometime ago, I think by the environmental group, was to

put a tax on automobiles coming into Washington prior to 9:30 in the morning when they went into a parking lot or into a parking garage.

They felt that that \$2 fee or so would be the best way to move toward carpooling or the use of mass transit. We understand that was turned down by the City Fathers.

What is the opinion of your organization on that kind of concept?

Mr. LYLE. Senator, first of all there is a practical consideration in terms of the District being subject to the will of Congress under the Constitution and the Representatives of the various jurisdictions in this area; that is to say, in Maryland and Virginia not particularly wanting any sort of commuter tax being placed on them.

Senator ANDREWS. I know. That is why I wanted to ask your opinion as a Washingtonian.

Mr. LYLE. I believe that tax is desirable, but I would structure it a bit differently. I think it would be better, strictly in terms of enforcement, rather than trying to put time-of-use controls on, to simply raise the tax on parking in the District.

I think it is simpler. I think it tends to discourage traffic coming in at whatever hour and would be a better solution all around.

Senator ANDREWS. Thank you very much we appreciate that. Who is next?

[The statement of Mr. Lyle follows:]

STATEMENT OF EDWARD LYLE

My name is Edward Lyle. I am an attorney and consultant in the District of Columbia. I am here representing the Committee of 100 on the Federal City as the chairman of its subcommittee on transportation.

The Committee of 100 on the Federal City was founded in 1923; it is the oldest public interest group in the metropolitan area concerned primarily with city planning. Our membership includes many architects, lawyers, engineers, and others with extensive experience in the planning of the metropolitan area, and throughout our history we have been very active in the field of transportation planning, most notably during the subway-freeway controversy of the 1960's. We appreciate the opportunity to appear before you today to present our views on Metro funding.

We urge the Congress to recognize both the national and the local importance of funding the completion of the Washington area's Metrorail entire 101-mile system at the maximum rate at which the transit authority can effectively use the funds.

The General Manager of the Washington Metropolitan Area Transit Authority, Mrs. Carmen Turner, has addressed the arguments for this proposition, and we fully support her testimony. Basically the arguments today boil down to the same fundamental issues that persuaded the Executive and the Congress to embark on the rail transit program in the early 1960's. From the outset it has been given high priority as being in the national interest, not merely a parochial one.

Metrorail increases the efficiency and effectiveness of the Federal establishment in Washington through reducing rush-hour auto traffic and hence congestion, and through providing a reliable alternative to auto commutation in foul weather and when protracted oil and gas shortages occur.

In addition to reducing congestion on downtown streets and arterial streets and highways this alternative to auto commuting has also had the effect of relieving the pressures for constructing miles of eight-lane freeways that would have defaced and chopped up the historic and monumental parts of Washington, thereby enhancing the beauty and dignity of this city as the Nation's capital, and indeed a world capital ranking with London and Paris.

Since 1969 when the Congress authorized Federal participation in the funding of the Approved Regional System - then 98 miles, now 101 miles - seven Maryland and Virginia counties and cities, and the District of Columbia, took that action as a commitment of the Federal Government - in a sense, a contract. These jurisdictions have faithfully contributed their respective local shares of money to the building of the subway tunnels and stations in the heart of the city, which were of course essential to the operation of the regional system. They expected, and had every reason to expect that the rail lines leading to their several constituencies would be constructed and operating as soon as it were possible from a design and engineering point of view. Even though there have been agonizing delays in getting the system built, mostly delays in Federal funding, these local governments have never welched on their obligations to come up with the agreed upon local monies.

Nevertheless, it is a fragile coalition, and the patience of some jurisdictions is beginning to appear strained. Further delays or an ultimate inability to complete the entire system could result in a resumption of pressures for more radial highway and freeway capacity, which would in turn mean more buses, more downtown parking, more congestion and more pollution.

To illustrate that this is not merely idle speculation, I call your attention to the current plan of the District of Columbia

Government to build another interstate bridge across the Anacostia River, where there is already bridge capacity sufficient to handle over 200,000 vehicles per hour. This bridge would connect the Anacostia Freeway (I-295) with the Southwest Freeway (I-395), which in rush hours is already operating at near capacity.

In conclusion, I call your attention to the fact that Washington's regional rail rapid transit system has never been a partisan issue either in the executive or legislative branches of the Government. Most presidents since Truman have been diligent in supporting the planning, authorization and funding of Metro; all Metro-related bills over the entire 20-year period through 1980 enjoyed wide bi-partisan support in both houses of the Congress. The present administration is the first to insist on a continuing pattern of reduced funding for Metro construction, and on a cap on the ultimate mileage to be supported by Federal funds.

The Committee of 100 believes that it is in the national interest to appropriate in Fiscal Year 1985 substantially more than the administration has requested for construction of Metrorail.

NATIONAL COALITION FOR EMERGENCY MEDICAL SERVICES

STATEMENT OF HARRY TETER, JR., EXECUTIVE DIRECTOR

ACCOMPANIED BY MICHAEL DYER, GENERAL COUNSEL

Mr. TETER. Senator Andrews, I am Harry Teter, I am with the National Coalition for Emergency Medical Services. I am accompanied by Mr. Michael Dyer, who is our counsel.

I appreciate the opportunity to appear before you this morning, sir, and to talk about a cause that I think is of major or should be a major concern in the country and that is death and disability, the greatest accidents that take the lives of so many Americans every year.

I am talking about a way in which we feel the effect of these accidents can be reduced dramatically and that is with emergency medical services systems.

These are funded through the National Highway Traffic Safety Administration program, the 402 program, the 403, and we are here to support that program today. We are very cognizant of the fact that

funds are limited and that increased funding is something that may be in just a dream stage but, nevertheless, we want to come in and argue strongly for the full funding of the NHTSA program and to request that this committee take special note that emergency medical services deserves special attention from the Department of Transportation.

The programs in emergency medical services have been developed in this country for the past 10 years. Great leadership was done by the Department of Transportation and the Health and Human Services Agency.

Unfortunately, with the demise of the categorical grant at HHS, and with the advent of the block grant, many of the systems that were developed or started in this country have stopped. That is of great concern to us all.

Emergency medical services systems need to blanket this country. There needs to be a network of them so that no matter where a person may be, when he or she is in an accident, it will be covered by a system.

These systems have proved effective where they are established in this country. They are saving lives. They are cutting the cost of medical care dramatically. Naturally, the important thing though is to save lives.

The Department of Transportation we urge will take on and continue the leadership they have been doing but stress emergency medical services in their program.

And as I note the yellow light turning to red, I would just say that the magnitude of this problem in this country is that in the 3 minutes that I have been talking to you, six people will die or have died; 100 people will have been injured, all in need of medical emergency systems.

Only in certain parts of this country will those systems be there to save their lives or to reduce the severity of the injury. We have to have attention to this matter and we appreciate the chance to talk with you on that.

Senator ANDREWS. I appreciate your coming. Let me share with you from our report of last year, you are in support of this subcommittee and the staff can provide you with a copy of this, on page 58.

I will read the first sentence in the interest of time constraints, additional sums over the request are provided in order to advance emergency medical services research, and then we go on to point out the challenge and the need. This was our report last year.

We understand the administration plans to spend \$8 million on EMS State grants. That is the budget request we got. Is that enough in your judgment?

Mr. TETER. No, sir, it is not, because there are great needs out there to not only complete systems which means equipment changes, communication equipment, vitally needed in ambulances between ambulances and hospitals. That is why we get first instructions with people on the scene.

That is just one example of where \$8 million would be taken up possibly by that alone. Training is paramount. We must have trained paramedics and emergency medical technicians.

I would hope, quite frankly, that incentive grants, earmarking, whatever we say, will lift EMS in the eyes of DOT, to whomever in the same way that the drunk driving issue has been raised in great stature and seatbelts.

They have been able to provide large incentive percentages of the 402 program for that and I think the same should be done for EMS and certainly to a figure that would be larger than \$8 million.

Senator ANDREWS. Thank you very much for a most helpful statement.

Mr. TETER. Senator, if I may request, the Association of State EMS directors has asked me if they could submit a statement for the record.

Senator ANDREWS. If you could see that we have it before we close the record, 1 week hence, it will appear immediately following your statement.

Mr. TETER. Thank you, Senator, I will do that.

[The statements of Mr. Teter and the Association of State EMS directors follow:]

STATEMENT OF HARRY TETER, JR.

Mr. Chairman and members of the Subcommittee, my name is Harry Teter, Jr., and I am the Executive Director of the National Coalition for Emergency Medical Services (NCEMS).

I would like to begin by expressing my appreciation for the Subcommittee's support and its recognition of the unique and extraordinary value of emergency medical services. It is in large part because of this Subcommittee's support that EMS has been able to get its feet planted firmly on the ground. However, despite EMS' effectiveness in providing lifesaving care for trauma victims, the problem of traumatic deaths and injuries and heart attacks still overwhelms the current available resources.

EMS attacks the two greatest killers in this country; heart attack and trauma. Heart attack is the greatest killer in this country. Trauma is the third greatest killer for all persons, and the leading cause of death for people under 40. In a typical year, accidents account for nearly 100,000 deaths and 9 million disabling injuries, precipitating medical costs, loss of wages and productivity of over \$88 billion.

Any comprehensive approach to this appalling problem must include both preventive and remedial components. The National Highway Traffic Safety Administration's (NHTSA) seat belt and drunk driving programs are examples of preventive initiatives which have a substantial impact in raising public awareness. However, the best preventive programs are unlikely to eliminate all accidents and their resulting injuries. People will still become victims of trauma and a comprehensive EMS system should be in place to give these persons the best possible chance of survival.

The purpose of emergency medical services systems is to transform the victims of heart attack and trauma into patients by providing a means of prompt rescue, expert treatment at the scene of the accident, and the transportation to a definitive medical facility. Time is critical; a victim treated by an EMS team will receive initial care and be in the definitive medical center within 60 minutes. Eight out of ten persons who would otherwise die in automobile accidents are saved if availed of

comprehensive emergency medical services. Those suffering a first heart attack have symptoms for two hours before the attack occurs. An EMS system can save that person during those two hours.

Unfortunately EMS' extraordinary success rate is applicable only to those areas that have the advantage of EMS availability. Expansion of existing services, creation of new facilities and systems, and establishment of linkage within the EMS network are necessary for optimal implementation. Support for emergency medical services is shared among Federal, State and local governments. However, because the most effective system requires interstate networking with a coordinated national focus, the Federal role is particularly significant.

Although NHTSA has articulated a priority for EMS funding, section 402 money for the program has steadily decreased. Development of a comprehensive network has suffered accordingly.

For example, paramedics are key personnel on the emergency medical services team. Data indicate that chances of survival for heart attack victims increase fifteen fold when paramedics are on the scene. At the present time there are only 44,418 paramedics nationwide servicing a population of over 240 million people. Training costs for these individuals are approximately \$30,000 per person. This cost has increased an average of 10% per year. Despite this fact, DOT funding levels for EMS have dropped from \$8 million in FY 1982 to \$5 million in FY 1984.

Similarly, establishment of the EMS systems model in all 50 states and expanding EMS guidelines are essential. Yet only \$70,000 was made available for these purposes in FY 1984. Progress will proceed at a snail's pace if funding continues on such a piecemeal basis. Multiple short conferences over a number of years are not as effective as fewer meetings of longer duration. A minimum of \$300,000 should be made available to fund quality, productive conferences where information can be shared readily.

A third problem confronting the EMS community is maintenance and expansion of technical equipment. Equipment prices have become exorbitant

and current DOT funds available for purchasing equipment fall far short of needs.

In summary, we believe that the emergency medical services system is on the threshold of delivering lifesaving care for trauma victims and heart attack victims on a national basis. We respectfully request that the Subcommittee consider the need for expansion and coordination within the EMS network and appropriate a significant earmarked increase for EMS in fiscal year 1985 funding. Thank you for your continued interest, and we appreciate your consideration of our request.

STATEMENT OF THE ATLANTIC EMERGENCY MEDICAL SERVICES COUNCIL, INC.

Mr. Chairman and members of the Subcommittee, I am Harry Teter, Director of the Atlantic Emergency Medical Services Council, a multi-state (New Jersey, Pennsylvania, Maryland, West Virginia, District of Columbia, Virginia, New York) organization dedicated to developing and implementing emergency medical services systems throughout the seven-state region. The Atlantic Council is the country's first multi-state EMS council and continues to be the principal national voice for EMS. It supports the National Highway Traffic Safety Administration (NHTSA) budget requests with certain modifications and special requests and recommendations which will follow.

For many years we have appeared before you in support of EMS funding, and we are gratified at the Subcommittee's growing interest in this vital service. We are also gratified at NHTSA's increased interest in EMS. Two years ago, the Council participated closely with NHTSA in its rulemaking proceedings to determine program priorities for NHTSA funding. At their conclusion, it was determined that EMS addressed a national crisis and must be a top NHTSA priority. The Administration lifted any funding limitation (at that time 402 dollars were, by NHTSA directive, to go only for emergency medical technician training) and declared that NHTSA would fight this national crisis. Ironically, since

that time, the 402 funding for EMS has decreased. It is hoped that the new state statistics for FY '83 will see this changed to reflect this new NHTSA commitment; that the states will heed the message sent forth by NHTSA as well as the interest.

Let us look at this national crisis and see what we are faced with. In 1982 (the last year for which we have data), there were over 93,000 deaths and over 9,000,000 disabling injuries due to accidents in this country. Of these numbers, 46,000 deaths and 1,700,000 injuries were due to motor vehicle accidents. Over \$88 billion was lost, over \$41 billion due to motor vehicle accidents. These numbers are staggering.

How can they be reduced or eliminated? The first obvious answer is to prevent the accident from happening in the first place. That is a goal that must be pursued. But it must also be recognized that accidents will never be totally prevented and when they occur the only hope is to have care available for the victim. This care is provided by EMS - it is something that must be provided totally for the victim, because the victim is incapable of helping himself. In all other systems of care, the patient has some degree of control over what type of care he receives. He can choose the doctor, the hospital, everything. None of these are available to the victim served by EMS. Society must have the EMS in place or the accident victim will die or have unnecessary disabling injuries. This is the challenge facing us all. It is a challenge we must meet since statistics say that at least one time in our lives we and ones we love will be in a situation that will require EMS.

The responsibility for solving this problem belongs to many parties - to the Federal government, because the problem is national in scope and magnitude; to the states that regulate health care; and to the local communities that supply the manpower and most of the resources for EMS. No one party can do the entire job - no one party can be excused from its responsibility to help resolve this.

That is why we are here today. The members of our Council

are day-to-day EMS implementors at the state level. We need our Federal partner in this job. NHTSA is now the recognized Federal leader in EMS. We support it, and we support its full budget request. It must have the finances to carry out its vital role in the provision of these services.

But we ask more. First, we ask what this Subcommittee and Congress can uniquely provide. We need your public recognition that this nation is faced with a problem that is catastrophic in nature. It is also a problem with known cures. We know that EMS systems save lives. We know that when they are in place, mortality and morbidity decreases dramatically. We do not need to discover a new antibody or a new cure. We need to apply and refine what we know. We have the capability to correct this problem. We need Congress to declare this a priority problem demanding immediate attention.

Secondly, a percentage of NHTSA dollars should either be earmarked specifically for EMS or a special incentive grant program should be established, using 402 dollars, for EMS. This has precedent. In the past, Congress has earmarked NHTSA dollars for alcohol-drunk driving programs and for passenger restraints. The amount of resources lost due to accidents is roughly 10% of the Federal budget. Therefore, we would respectfully request 10% of the NHTSA budget be directed to EMS.

Thirdly, we would request support for the multi-state regional commissions in their efforts to pool knowledge and resources and help implement EMS systems on a regional basis. The Atlantic Council members have some of the most advanced state systems in the country. We now want to regionalize our data and evaluations. This regional project is a demonstration of national significance. It will be applicable to other regional councils. Each member would participate in this, and we are seeking \$350,000 to do this. We would involve our hospitals which the state has either designated as a trauma center or which the state will determine meets trauma center criteria. These hospitals are a vital network

and have information critical to evaluating our system, as well as upgrading our delivery capabilities. From this we will develop new treatment and training techniques for caring for the patient from the scene of the accident until he is delivered to the proper care facility.

Fourthly, we strongly support the research and development dollars (Section 403) for NHTSA. We recommend and request that DOT use some of the funds appropriated for support of national EMS conferences. These provide invaluable forums for exchange of information. The research dollars are badly needed - and are presently inadequate. An example of this is a voluntary standard setting process initiated by DOT this year. DOT is asking EMS organizations to devote time and resources far beyond their capabilities. These parties need subsidization so they can participate properly. The result will be worthwhile, for standards in this area are critical and ones set by the industry are more likely to receive compliance than those forced upon it. This effort will require approximately \$250,000 annually to complete the task - presently only \$70,000 is earmarked.

Finally we ask this Committee to direct NHTSA to continue its leadership role to solve this national crisis. Under Diane Steed's capable and informed leadership, EMS is well served. We commend her to this Subcommittee. We believe that your interest that DOT continue its leadership role is very important. We believe DOT should immediately reactivate the Federal interagency EMS council so that there will be a coordinated effort to implement and manage EMS by all agencies having some EMS function to perform. For instance, this spring the Federal Communications Commission opened channels of the spectrum previously dedicated to emergency situations for any medical communication as well. This results of this could be disastrous. Already emergency cases have been blocked out of communications because of a non-emergency matter using the channel. Also unless there are channels dedicated for EMS, NHTSA may not fund communications equipment for the system and present

communications systems could become ineffective. We need Congressional assistance to relieve this problem and to see that emergency medical channels are allocated and protected by the Federal Communications Commission.

Our needs are great - our job is formidable - the problem is catastrophic. We can succeed if we have the resources and the leadership.

We in the Atlantic region are proud of our work to date. We must continue to improve our state systems - and we will. We must foster greater interstate care - increase our knowledge with better and broader data and evaluation which the project mentioned above will do. We need to continue to foster more sharing of resources - pooling our abilities - refining our training. We will do this; so that when you travel in our region (which includes the District of Columbia) you can be assured you are protected.

Remember, unless we have the resources to do our job, the care you may need - which you will be totally unable to provide for yourself or for one you love - will not be there.

RESERVE OFFICERS ASSOCIATION

STATEMENT OF CAPT. ROY B. MOODY, JR., USNR DIRECTOR, NAVAL AFFAIRS

Senator ANDREWS. Next it looks like we have Captain Moody. It is good to have you here representing the Reserve Officers Association.

Captain MOODY. Thank you, Mr. Chairman. I would like to briefly state some of our concerns about the Coast Guard budget authorization and appropriation for 1985.

The previous witness or a previous witness has talked about secure communications and we certainly support that. I would just propose that any secure communications that is approved would be compatible with the Navy. That wasn't mentioned but I would stress that.

We would certainly hope that the Congress fund the Coast Guard to at least the levels recently authorized by the House. This would prevent the reduction of 513 active military billets and would provide the necessary increases in procurement in R&D.

We acknowledge the Coast Guard's delay in redefining wartime requirements. But we consider it inexcusable that this fact has been used by the administration for the last several years, to stalemate reasonable selected reserve growth.

The only issue in question has been the amount that the revised requirement would exceed the current stated requirement. A requirement of less than that amount has never been at issue.

Both the House and the Senate Coast Guard authorizing committees have expressed concern about the size of the Coast Guard selected reserve. Last year, and I might add again 2 weeks ago, the House Armed Services Committee expressed special concern over the gap between the requested strengths and stated requirements of the Naval and Coast Guard reserve.

The House and Senate defense appropriations subcommittees immediately responded last year adding funds to increase the fiscal year 1984 Naval Reserve selected reserve strength from the \$99,000 requested to \$105,000.

The Reserve Officers Association asks that this subcommittee now respond to those expressed concerns in the case of the Coast Guard Reserve. Mr. Chairman, that completes my statement.

Senator ANDREWS. Thank you very much for your statement and for your appearance. We appreciate you coming.

[The statement of Rear Admiral Spiro follows:]

STATEMENT OF REAR ADM. ROBERT H. SPIRO, JR., USNR [RETIRED], EXECUTIVE DIRECTOR,
RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

- ° BY LAW, COAST GUARD MUST BE MAINTAINED AS A MILITARY SERVICE AND BRANCH OF THE ARMED FORCES OF THE UNITED STATES AT ALL TIMES. ADMINISTRATION DOES NOT APPEAR TO FULLY RECOGNIZE THIS. BY ALMOST EVERY EVALUATION, COAST GUARD HAS A MARGINAL CAPABILITY TO CARRY OUT PEACE-TIME TASKINGS AND SERIOUS CONCERNS EXIST AS TO THE COAST GUARD'S ABILITY TO CARRY OUT WAR-TIME TASKINGS.
- ° INSTEAD OF ADMINISTRATION'S FY85 LEVEL EFFORT FUNDING SUBMISSION, ROA STRONGLY URGES THAT CONGRESS FUND COAST GUARD AT LEAST TO LEVELS RECENTLY AUTHORIZED BY THE HOUSE (HR4841). THIS WOULD PREVENT REDUCTION OF 513 ACTIVE MILITARY BILLETS AND WOULD PROVIDE NECESSARY INCREASES IN PROCUREMENT AND R&D.
- ° ADMINISTRATION REQUEST FOR COAST GUARD RESERVE STRENGTH - 12,500, AN INCREASE OF 500 FROM FY84, WAS ACCOMPANIED BY REQUEST FOR DECREASE OF 513 ACTIVE PERSONNEL. INCREASES IN COAST GUARD RESERVE MUST NOT BE CONSIDERED OFFSETS AGAINST ACTIVE DUTY STRENGTH - COAST GUARD MUCH TOO THINLY MANNED.
- ° AT 12,500, COAST GUARD RESERVE MEETS ONLY 57% OF STATED MOBILIZATION REQUIREMENT -- DOD RESERVE COMPONENTS AVERAGE ABOUT 90%. FY85 RESERVE FLOOR STILL TO BE SET BY THE DEFENSE AUTHORIZATION; HOWEVER, THE FLOOR MAY BE SET SOMEWHAT HIGHER THAN 12,500. NEVERTHELESS, ROA RECOMMENDS THAT RESERVE TRAINING APPROPRIATION BE INCREASED FROM \$58.8 MILLION (REQUESTED AMOUNT) TO \$62 MILLION, TO SUPPORT COAST GUARD SELECTED RESERVE STRENGTH OF 13,200. GOAL SHOULD BE AT LEAST 16,500, (75 PERCENT OF CURRENT STATED REQUIREMENTS) BY END FY 1988.
- ° ROA ACKNOWLEDGES COAST GUARD DELAY IN REDEFINING WARTIME REQUIREMENTS, BUT CONSIDERS IT INEXCUSABLE THAT THIS FACT HAS BEEN USED TO STALEMATE REASONABLE SELECTED RESERVE GROWTH. ONLY ISSUE IN QUESTION HAS BEEN AMOUNT REVISED REQUIREMENT WILL EXCEED CURRENT STATED REQUIREMENT, 22,000 -- A REQUIREMENT OF LESS THAN 22,000 IS NOT AT ISSUE. THE RELUCTANCE TO INCREASE COAST GUARD RESERVE TO 75 PERCENT OF AN ADMITTEDLY UNDERSTATED REQUIREMENT MAKES NO SENSE AND IS NOT UNDERSTOOD.
- ° BOTH HOUSE AND SENATE COAST GUARD AUTHORIZING COMMITTEES HAVE EXPRESSED CONCERN ABOUT SIZE OF SELECTED RESERVE. LAST YEAR (AND THIS YEAR) HOUSE ARMED SERVICES COMMITTEE EXPRESSED "SPECIAL CONCERN" OVER THE GAP BETWEEN REQUESTED STRENGTHS AND STATED REQUIREMENTS OF NAVAL AND COAST GUARD RESERVE. HAC AND SAC DEFENSE SUBCOMMITTEES IMMEDIATELY RESPONDED, ADDING FUNDS TO INCREASE FY84 NAVAL RESERVE STRENGTH FROM THE 99,000 REQUESTED TO 105,000. ROA ASKS THAT THIS SUBCOMMITTEE RESPOND TO THOSE EXPRESSED CONCERNS IN THE CASE OF THE COAST GUARD RESERVE.

Mr. Chairman and Members of the Committee: It is a pleasure to have the opportunity to appear before this Committee for a presentation by the Reserve Officers Association (ROA) concerning the United States Coast Guard and the Coast Guard Reserve.

During the last few years, we have detailed the concern of ROA over the state of the Coast Guard and Coast Guard Reserve. Once again the Department of Transportation's FY 1985 Budget Request for the Coast Guard is essentially a level effort request. Given the current strain on resources, the Coast Guard, at best, has only a marginal capability to carry out its peace-time taskings.

The Coast Guard's capability to carry out war-time taskings is a matter of well known serious concern. These shortcomings have been set forth time and again in magazine and newspaper articles, in GAO reports, and in congressional oversight reports. None of these independent evaluations appear to make any significant impact on the Administration. To submit a level funded budget request in support of our fifth Armed Force, in view of the problems it faces, simply ignores statutory direction and, given the President's resolve to improve our nation's national security, is completely inexplicable.

While for the first time in eighteen years, the Administration requested a small increase in Coast Guard Reserve strength, this is accompanied by a requested decrease in active duty military and civilian strength -- specifically, an increase of 500 Reservists accompanied by a decrease of 513 active duty military and 242 civilians. The Coast Guard requested moderate increases in both Reserve and active strength; the proposed reduction makes no sense given the overall problems facing the Coast Guard -- regardless of the specific justifications provided.

Mr. Chairman and committee members, we, and others, have said this so many times it becomes discouraging. The Coast Guard must be adequately funded to carry out both its peacetime and wartime functions. The Coast Guard has been continually eroded over the years as it has been given new missions without any additional assets. Our Coast Guard personnel have always exhibited the "can-do" spirit but people and equipment can be stretched only so far. This is a dangerous situation. People will be hurt and lives will be lost - needlessly!

ROA expressed concern several months ago when the Coast Guard was assigned heavier responsibilities under Vice President Bush's Drug Enforcement Program. The goal was noble; our country needs this kind of effort. Nevertheless, the Coast Guard was unable to ask for additional funding and the costs of the entire operation were "taken out of hide" -- as usual! Our expressed concern, unfortunately, was well-placed.

New taskings are being received which will require out of CONUS training (viz., port security in certain overseas ports). Coast Guard operations in the Maritime Defense Zone concept, agreed to by the Navy and Coast Guard, will require additional funding. How much and where will it come from? Each additional peacetime job forces the Coast Guard to accomodate yet another drain on its limited managerial and financial resources.

Not only do these kinds of budgetary pressures cause trauma in the day-to-day operations of the Coast Guard, they most certainly result in the degradation of military readiness training and further benign neglect of the Coast Guard's longstanding wartime responsibilities. This problem has been addressed many times in many forums, the most recent being an article in the February issue of the U.S. Naval Institute "Proceedings," entitled "The Coast Guard - Quo Vadis?" A copy of that article is appended to our statement for your information.

The House "Semi-Paratus" report, resulting from oversight hearings conducted by the Coast Guard Subcommittee in 1981, surfaced many deficiencies involving the nation's oldest, continuous sea-going service. GAO Report, PLRD 82-98, issued on August 18, 1982, stated, "Our review.... disclosed several problems which raise questions about the Coast Guard's ability to successfully carry out its on-going peacetime missions and to assume additional ones to support Navy operations in wartime." Military mobilization exercises during the past few years have repeatedly shown serious deficiencies in Coast Guard personnel, equipment and training capabilities. Yet no significant budgetary measures to remedy these deficiencies have survived the DOT/OMB budget process. Accordingly, the Reserve Officers Association again urges that the Administration request and allocate sufficient resources for the Coast Guard to promptly eliminate the military readiness deficiencies of the Coast Guard as cited in the General Accounting Office's Report to the Secretary of Transportation on the Readiness of the Coast Guard.

Since the FY 1985 budget submission does not provide adequate funding in support of Coast Guard missions and operations, the House

recently passed overwhelmingly an alternative budget providing necessary increases in most appropriations. We understand that the Senate Commerce committee will also mark-up an alternative budget authorizing funding to about the same levels as those authorized by the House. ROA strongly endorses these actions and urges this committee to provide increased funding levels consistent with the authorization. It is our understanding that the OE authorization would be increased to preserve the 513 active duty military and 242 civilian personnel programmed for deletion by the Administration. Additionally, an increased funding level authorization in A, C and I would provide the upgrades in cutters, aircraft and base support operations essential for the Coast Guard to improve its ability to carry out high priority at-sea law enforcement, search and rescue, and military readiness missions.

It should be noted, however, that the higher authorized levels approved by the House for OE and A, C, and I, \$1.8 billion and \$550 million respectively, are still below the levels initially requested by the Commandant of the Coast Guard. The Coast Guard request was for \$1.85 billion (OE) and \$565.9 million (A,C&I), both of which, in the opinion of ROA, represent conservative requests.

The House authorized funding level of \$35 million in the R&D appropriation represents an increase of \$11.5 million over the Administration request and coincides identically with the amount originally requested by the Coast Guard for FY 1985.

It is imperative that the Coast Guard be fully prepared to meet its statutory military duties as prescribed in 14 U.S.C. 1 which provides for the Coast Guard to be "...a military service and branch of the armed forces of the United States at all times." This means that funding, at least to the level authorized by HR 4841, must be provided.

Coast Guard Reserve

This committee is responsible for the funding of the Coast Guard Reserve, even though authorization responsibility rests with the Armed Services Committee as part of the DOD authorization. Even though the Senate Armed Services Committee has not yet marked

up the FY 1985 DOD authorization, I would like to take a few minutes to discuss the Reserve. In the on-going problems surrounding the Coast Guard, generally very little is mentioned about the Reserve. The 1982 GAO Report did, however, comment at length about apparent deficiencies in Coast Guard Reserve logistical support and training. As we have noted numerous times, port security is a most vital mission and, according to most national security authorities, is one which is the primary mobilization responsibility of the Coast Guard Reserve.

We do applaud the Secretary of Transportation and OMB for taking the first Administration step in eighteen years towards increasing the Coast Guard Reserve. When you consider that a reduction of 1,300 was recommended in FY 1983 and that the FY 1984 request was to remain level with FY 1983, a 500 requested increase for FY 1985 is certainly a step in the right direction, albeit it a small one. (It should be noted however, that the Commandant requested an increase of 800.) At the rate of 500 a year, the Coast Guard Reserve could be at 100 percent of their currently stated mobilization requirement (A DOD goal for end FY 1987) in twenty years! This is certainly slower than deliberate speed!

The current Coast Guard Reserve strength level of 12,000 represents only 55 percent of its stated wartime requirements; 12,500 will result in a 57 percent level. In comparison, the other Armed Services Reserve Components are authorized and funded to strengths approaching an average 90 percent of mobilization requirements and are still increasing.

Mobilization of both the Coast Guard Selected Reserve and the IRR will still result in a deficit of approximately 6,000 people short of the stated 22,000 mobilization requirement. Further, while this requirement is still undergoing review, every possible indicator reflects a real requirement significantly higher than 22,000. Since this number hasn't changed in over ten years, a higher requirement certainly appears logical. Accordingly, ROA cannot concur with a budget submission which requests such a minimal growth in Coast Guard Selected Reserve strength.

ROA recommends that, as a minimum, the Coast Guard Selected Reserve strength be increased to 75 percent of current stated requirements -- 16,500; and that a target date for attainment of this strength be established as 30 September 1988. ROA further recommends that the FY 1985 Coast Guard Reserve Training appropriation be funded to support an increase of 1,200 to a level of 13,200 -- a level which we believe to be reasonably attainable.

Concern about the size of the Coast Guard Reserve has not been limited to the ROA. Both the Senate and House authorizing committees for the Coast Guard have expressed similar concerns in recent years. Additionally, the House Armed Services Committee, taking note of the wartime requirements for both the Coast Guard Reserve and the Naval Reserve expressed "special concern" in their FY 1984 Report over the gap between requested strengths and requirements.

ROA notes that the Defense Appropriations Subcommittees in both the House and Senate quickly responded to the comments of the Armed Services Committees and provided funding to increase the Naval Selected Reserve strength in FY 1984 from the 99,000 requested to 105,000. Unfortunately, neither of the Transportation Appropriations Subcommittees effected a similar response. Hopefully, this was simply an accident of timing since the FY 1984 HASC Report was published only a very few days before the FY 1984 Transportation Appropriation Act was passed by Congress.

Accordingly, ROA strongly urges that this committee respond to the concerns expressed in the FY 1984 HASC Report by increasing the Reserve Training appropriation for FY 1985 from \$58.833 million as requested, to \$62 million. Funding at this level will support a Coast Guard Selected Reserve strength of 13,200.

An interesting commentary concerning the current Selected Reserve strength arises from the fact that approximately 550 Coast Guard Reservists will be recalled to temporary active duty in support of this summer's Olympic Games in Los Angeles. A moderately unusual event comes along and five percent of the entire Coast Guard Selected Reserve will be recalled to assist in port security

for one harbor. This one example certainly raises questions as to what would happen during a full scale mobilization in which all of our ports would face really serious threats.

A caveat must be raised, however, concerning our recommendation in support of increased Selected Reserve strength. While some trade-offs may be feasible between Active and Reserve strengths in the DOD Armed Forces, such force-mix offsets have no relevance to the Coast Guard -- regardless of contrary opinions apparently prevalent in OMB. While the FY 1985 recommendations of a 500 SelRes strength increase and a 513 Active Military Strength decrease may truly be coincidental, there are many who are justifiably suspicious. Nevertheless, there is great concern within the Coast Guard leadership that OMB will view any future SelRes strength increases as definite trade-offs against active strength. ROA, in the strongest possible terms, flatly rejects that rationale and recommends that language be provided by Congress which would direct OMB/DOT not to pursue that course of action.

Active strength must grow in order to carry out the Coast Guard's ever-expanding peace-time missions. The Coast Guard Reserve cannot replace the active Coast Guard in this peace-time arena (although the Reserve can and does assist); yet Reserve strength must also increase in support of war-time related missions. There must be no personnel trade-offs as we seek to build up the Coast Guard Reserve.

Summary

The military readiness of the Coast Guard and its Reserve must be increased -- neither permitted to diminish nor to remain at a level below that required. Both are absolutely essential to the successful implementation of the concept of rapid deployment and strategic mobility. The Coast Guard is part of the Naval community with specialized knowledge and skills. The Navy is frequently asking more of the Coast Guard than current capabilities can probably provide. The planned Coast Guard contribution to the Maritime Defense Zone Concept and their recent support in Grenada are examples as to why the Coast Guard must

stay ready and better prepared in a volatile world. During one recent period, approximately 30 percent of the U.S. force in Grenada was Coast Guard (approximately 119 personnel out of 400). As a multi-mission force, one never knows what demands are going to be put on the Coast Guard from one day to the next. The Department of Defense and the National Security Council have recognized the contribution of the Coast Guard to national defense. We must, as a nation, do likewise by authorizing and funding the necessary increased strength levels and modernized capital assets.

The Administration appears unwilling to ask the Congress for those increases necessary to meet readiness requirements. Again, therefore, we must ask you, the Congress, to act. The Coast Guard provides a host of services which are absolutely essential to the military readiness, health, safety, economy and environment of the ports and waterways of the United States and to the deployment of specialized personnel to overseas ports. They certainly have the support of the American people. They obviously don't have the full support of the Administration. As in past, they need yours.

THE COAST GUARD: QUO VADIS?

[By Comdr. Ronald Fraser, U.S. Coast Guard Reserve]

The Coast Guard cannot significantly improve its naval wartime performance until it concentrates more of its resources on that objective during peacetime—such as the USCGC Rush (WMEC-723) seen maneuvering with a combined battle group during FleetEx 1983—especially if it acquires new or expanded naval wartime missions in the near future.

Since its creation in 1915 when Congress combined the Revenue Cutter and Life-Saving services, the U. S. Coast Guard has struggled with an organizational split personality. The Coast Guard is rooted partly in peacetime, life-saving service and partly in wartime armed conflict. Tension between the two personalities is rising, and the service is fast approaching a crossroads.

The Coast Guard's rapid post-World War II growth in peacetime services and regulatory tasks, and its drift away from traditional naval wartime missions, are symptoms of a phenomenon I term "institutional vulnerability." Unlike the other military services, the primary threats to the Coast Guard's *raison d'être*—its ability to employ its naval forces effectively in wartime—are home-ported not on the Eurasian landmass but in Washington. The most crucial factor in attaining that wartime effectiveness is how well the service uses its resources during periods of peace to prepare for war.

To understand and strengthen the fifth armed force, the focus must be on the relationship between the Coast Guard's wartime and peacetime missions. This relationship, at once a strength and a weakness, dictates the service's current readiness posture and sets limits on the means to an improved posture in the years ahead.

From the beginning, Congress deemed the Coast Guard "a military service and a branch of the armed forces of the United States at all times." Yet Congress has also looked upon the service as something other than a small carbon copy of the Navy. Consequently, the Coast Guard's congressionally specified primary duties include law enforcement, aids to navigation, ice-breaking, and search and rescue (SAR), all in addition to maintaining a state of readiness to function as a specialized service in the Navy in time of war.

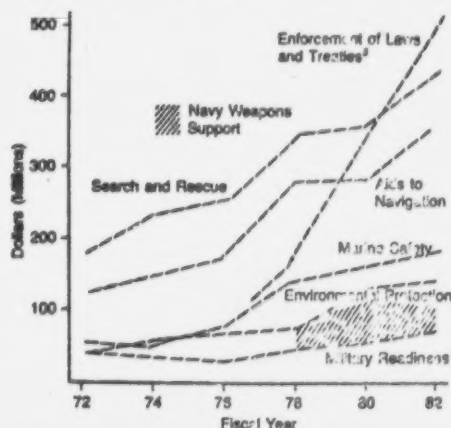
The Coast Guard's peacetime duties *do* develop basic skills with a wartime application. For example, the same seamanship skills and ships used to rescue fishermen off the North Carolina coast during peacetime could rescue torpedoed merchant seamen during wartime. But these same duties also set limits on both the scope and sophistication of the service's more traditional naval wartime missions, such as antisubmarine warfare.

To appreciate how drastically the Coast Guard's peacetime duties affect its wartime preparation, see Figure 1. The trend clearly favors the non-military readiness programs. Even when the cost of Navy-provided weapon systems is added to the Coast Guard's military readiness budget, the other five programs still receive the lion's

share of the budget pie. There are several reasons for this.

A Plethora of Missions: Unlike the other armed forces, the Coast Guard lacks a central wartime design around which the service's programs are organized. Within the Army, Navy, or Air Force, there is little debate over the organizations' primary purpose: to prepare today, and

Figure 1 Total Budget Authority for Selected Programs¹



¹Budget authority figures include Coast Guard congressional appropriations for operating expenses; acquisition; construction and improvement; and research and development. For fiscal year 1982, total budget authority equals total appropriation in each program area.

²Separate program data for Enforcement of Laws and Treaties are not available prior to fiscal year 1977.

Source: U. S. Coast Guard Budget Office.

when directed at a future date, to exercise military force in the national interest. Day-to-day peacetime training and distant wartime responsibilities are tightly bound together.

Lacking such clarity of purpose, the Coast Guard's top-level decision-making process is easily fragmented by competition among diverse program areas. Military readiness is only one of the Coast Guard's many missions during peacetime. Since 1915, Congress has assigned the service a broad potpourri of maritime missions more in response to *ad hoc* civil needs rather than to a well-thought-out, integrated peacetime-wartime organizational plan.

Consequently, through a kind of benign neglect of the Coast Guard's long-standing wartime responsibilities, Congress has, with the passage of each additional statute assigning the Coast Guard one more peacetime job, forced the service to accommodate yet another drain on its limited managerial and financial resources. Drug smugglers must be found and stopped this week; distressed seamen must be plucked from the water; and a burned-out buoy flasher is a hazard that demands quick attention.

The result is no surprise. Search and rescue, aids to navigation, law enforcement, and other programs compete with military preparedness for available peacetime resources. This competition also places conflicting requirements on the design and employment of Coast Guard ships and aircraft.

Grassroots Politics: Most congressmen are far more impressed with the morning news coverage of yesterday's haul of marijuana, or a daring at-sea rescue, than a cutter's participation in U. S. or NATO military exercises. Congressional support remains high for those grassroots peacetime programs—such as environmental protection, law enforcement, and aid to the boating public—that touch voters more personally than national defense does.

Further, the congressional authorizing committees overseeing Coast Guard affairs are not directly involved with national defense. Finally, the Coast Guard's peacetime location outside of the Department of Defense (DoD) only serves to further emphasize and focus congressional and executive branch debate on its peacetime missions.

Gresham's Law: Another institutional barrier inhibiting the Coast Guard's wartime preparedness involves the way people in organizations deal with the present versus the future. Gresham's Law of Planning maintains that: "Daily routine drives out long-range planning. Stated less cryptically, we predict that when an individual is faced both with highly programmed and highly unprogrammed tasks, the former tend to take precedence over the latter even in the absence of strong over-all time pressures." (See James G. March and Herbert A. Simon, *Organizations* [New York: John Wiley and Sons, Inc., 1958], p. 185.)

This "law" is commonly used to explain why, when competing with an organization's daily routines, activities such as long-range planning, research and development, and basic research are allocated only a fraction of the organization's available resources.

I contend the following, corollary to Gresham's Law explains why the Coast Guard will tend to increase its peacetime activities over time and decrease its naval wartime missions: "When, during long periods of peace, an organization is faced with both highly programmed, time-sensitive (and reward-filled) peacetime duties and relatively unprogrammed (and unrewarded), long-range wartime duties, the peacetime duties will take precedence over the wartime duties."

During peacetime, the Coast Guard's decision-making and resource-allocation processes treat military readiness more like a long-range planning or contingency function rather than a day-to-day, high-priority mission toward which the entire organization is aimed. Since the fruits of resources allocated to military readiness are distant and uncertain when compared with the quickly realized, more tangible rewards of the service's peacetime operating programs, the Coast Guard is inclined to hold to a minimum the resources for military readiness.

Ship and Aircraft Design: Each time the Coast Guard purchases a new ship or aircraft, it has to decide whether to build it to wartime or peacetime standards. This reinforces the organization's view of itself and the degree to which it is able to fulfill both its peacetime and wartime preparation missions. Since World War II, the trend has been to build ships and aircraft primarily to meet the peacetime mission requirements, including space and weight reservations for sophisticated, and costly, naval mission weapon and sensor systems, and dependence on a retrofitting program to upgrade Coast Guard vessels and aircraft once hostilities have begun. The more ambitious plans call for only one ship in the 378-foot and 270-foot classes to carry a full naval weapons suite in peacetime.

Consequently, Coastguardsmen and their commanders are not only greatly limited in their peacetime, hands-on training and tactical employment of complex naval sensors and weapon systems, but it is also doubtful that a retrofitting and quick-train program to upgrade Coast Guard assets would be effective during a "come as you are" war.

A few years ago, seeing the need to reexamine and update the Coast Guard's wartime missions, the Coast Guard and Navy formed the Navy-Coast Guard Board, headed by the Vice-Commandant and the Vice Chief of Naval Operations. The board's 1981 report, "Review of Coast Guard Wartime Tasking: A Report," identified a wide range of possible new and expanded future wartime missions for the Coast Guard and recognized that to remain responsive to our nation's changing defense requirements, the Coast Guard's military readiness missions must also evolve (see Table 1).

Table 1 *Coast Guard Wartime Mission Assignment Summary*

Mission	New	Expanded	No Change
Naval Control of Shipping	X		
Harbor Defense and Security	X		
Mine Countermeasures	X		
Inshore Undersea Warfare		X	
Antisubmarine Warfare		X	
SAR/Salvage		X	
Surveillance and Interdiction		X	
Convoy Escort		X	
Icebreaking			X
Explosives Ordnance Loading			X
Aids to Navigation			X
Port Security			X
Security of Locks and Dams			X
Surface Vessel Ferry Command			X
Anchorage Regulation			X
Non-Combat Operations			X
Intelligence			X
Control of Pilot Qualification			X

Source: U. S. Navy/Coast Guard Board. *Review of Coast Guard Wartime Tasking: A Report* (Washington, DC: 1981), p. 35.

Because the new and expanded wartime tasks found in Table 1, with the exception of SAR and surveillance and interdiction, are not now direct extensions of the Coast Guard's current peacetime duties, the challenges in the report are largely institutional. For the Coast Guard to expand its technical expertise and assume some, or all, of these wartime missions, the service will need to alter its peacetime allocation of resources significantly. This reallocation process, assuming a constant level of resource availability, might require the following:

- ▶ Downgrading or eliminating some of the Coast Guard's existing peacetime missions to free up resources during peacetime to prepare for the new or expanded naval wartime missions
- ▶ That Congress forego politically sensitive grassroots services currently offered by the Coast Guard
- ▶ That the Coast Guard take a longer range wartime perspective in lieu of the short-range, peacetime service orientation that now dominates the organization
- ▶ A redesign of Coast Guard ships and aircraft

If significant gains in the Coast Guard's peacetime preparedness to carry out its naval wartime missions demand a radical shift in the peacetime employment of the service's forces, several organizations must be involved.

Congress: Only Congress has the power to change the Coast Guard's legislative foundation and, by eliminating some of its peacetime functions, free the service to concentrate more of its energies on military readiness tasks. Congress is the final judge of how much military preparedness is enough. But, it is also responsible for ensuring the Coast Guard's level of military readiness meets the minimum level of professionalism demanded in the missile age. Naval warfare has become too sophisticated for the ill-prepared and ill-equipped.

Congress must assign specific naval wartime missions to the Coast Guard and then ensure the service is equipped and trained to perform these missions. Those peacetime training and operational duties that directly support the

Coast Guard's stated wartime missions should be given top priority for resources. Peacetime activities must be looked upon as the means to wartime ends—not ends in themselves.

The Department of Defense: Another change agent is DoD's growing recognition of how the Coast Guard's potential wartime missions can best be integrated into its worldwide strategies. As the Coast Guard further strengthens its ties with DoD, the Coast Guard's military missions will be in a far better position to compete against other Coast Guard programs for peacetime resources in Congress and the executive branch. In the absence of strong DoD support, various lobbying groups representing fishermen, recreational boaters, the merchant marine industry, and law enforcement interests, among others, will continue to dominate the Coast Guard's year-to-year peacetime resource allocation process.

The Coast Guard: While these external forces for change are important, Coast Guard leadership must ultimately decide the fate of its own military readiness program with a firm, top-level commitment to a first-class military force.

Since the Coast Guard is, by law, a uniformed, armed force of the United States at all times, military readiness must rank above all other responsibilities.

The following six-point program of change, if implemented, will vastly improve the Coast Guard's military readiness by increasing the peacetime resources allocated to military mission preparedness, and it will reduce the number one threat to the Coast Guard's readiness—its institutional vulnerability.

▶ The military readiness program at Coast Guard headquarters must be raised from a mere division, headed by a captain, within the Office of Operations, headed by a rear admiral, to at least the level of an independent office. Currently, the SAR and law enforcement programs—also divisions within the Office of Operations—have formal stature equal to that of the military readiness program. The marine safety and aids-to-navigation programs actually enjoy the prestige and clout of a free-standing office with their own two-star chiefs. Just as the Navy is rediscovering the importance of mine warfare, and has, within the past few years, given it some of the status and visibility needed to compete with the more glamorous components of our nuclear Navy, the Coast Guard must now dramatize the resurgence of its military readiness program.

▶ By concentrating its trained, senior grade, military readiness advocates at the chief of staff and above positions throughout the service's headquarters, area, and district hierarchies, the service can signal to all hands the revitalization of the military readiness mission. Let us not forget Admiral H. G. Rickover's role in transforming the U. S. Navy's postwar, diesel submarine fleet into the world's finest nuclear undersea force. His personal convictions and determination to implement change overcame strong resistance from the Navy's surface and air arms. Similar resistance will be found among advocates of the Coast Guard's peacetime missions.

▶ Eliminate the notion that military readiness activities will be scheduled during peacetime on a "not to interfere with 'regular' Coast Guard missions basis." This sleight-of-hand, bureaucratic tactic has no place in a professional military service. Military readiness is a "regular" Coast Guard mission—and has been for 68 years.

▶ Organize the Coast Guard along wartime mission, not peacetime program, lines. The Coast Guard's peacetime structure is a barrier to military preparedness. In peacetime, individual Coast Guard vessels rarely operate as a part of a multi-ship team in pursuit of a common naval mission. Yet successful antisubmarine warfare, ocean escort, and other Coast Guard wartime missions demand sophisticated multi-vessel, joint-service teamwork. Practice is the only road to professional seamanship.

► How can Coast Guard commanders train for their wartime missions when all they have at their disposal during peacetime are space and weight reservations? They cannot. The practice of retrofitting satisfies only the budgeteer and must be eliminated. A military service with *semper paratus* for its motto will need more than space and weight reservations in the next "come as you are" war.

► The Coast Guard should avoid designing its own high- and medium-endurance ships. Peacetime requirements predominate construction decisions to the detriment of the Coast Guard's military force capabilities. The slow speed (19 knots) of the new 270-foot *Bear*-class cutter, for example, is a severe limitation in wartime. Commonsense solutions, such as buying frigate-class ships proven in production—the FFG-7, for example—must be taken seriously in future decision-making forums.

The challenge the Coast Guard faces today is not so much how, technically, to make the service a more effective

military force, but whether Congress, DoD, and the Coast Guard are ready to make the necessary commitment to that end. These organizations must make a basic decision: Is the Coast Guard a military service with an assortment of additional peacetime duties, or is it a multipurpose, civil agency with one—and, during peacetime, a minor one—of its many jobs being military preparedness?

If the decision is that the Coast Guard is a professional military service, then it is time to provide the peacetime means to that wartime end.

Commander Fraser has served as operations and communications officer afloat and reserve group commander ashore. In 1982-1983, he was a student in the Naval War College's Off-Campus Employment of Naval Forces Curriculum. He is currently a readiness planner on active duty at Coast Guard Headquarters.

PANAMA CANAL RESIDENTS ADVISORY COUNCIL

STATEMENT OF LUCINDA KEMP, REPRESENTATIVE

Senator ANDREWS. Our next witness is representing the International Organization of Masters Mates and Pilots, Lucinda Kemp, of the Panama Canal Residents Advisory Council.

Welcome to the subcommittee. Good to have you here. Let me assure your that your statement will appear in the record as though given in its entirety.

Mrs. KEMP. Thank you.

Mr. Chairman, honorable members of the subcommittee, I am Lucinda Kemp, wife of a Panama Canal Commission employee and mother of six children.

My family resides in the Panama Canal area and I appear here today on behalf of the Residents Advisory Council to the Panama Canal Commission. My statement also represents the views of the Panama Canal pilot branch, International Organization of Masters Mates and Pilots.

I am here today to address the serious problem resulting from the impending loss of postal, commissary, and exchange privileges as of October 1 this year. Should this loss occur, in our view it must be offset by a fair and equitable cost-of-living allowance which truly reflects the loss as authorized under section 1206 of the Panama Canal Act of 1979.

We have researched the cost effect of this loss to our purchasing power and feel that a fair and equitable allowance should be in the range of \$12.5 million. I am requesting this subcommittee to earmark this amount for an adjustment in fiscal year 1985 canal appropriations.

Realizing that there was no substantiation for the Commission's budget estimate of \$4 million for an adjustment and realizing that the professional study requested by the Commission would not be available, we conducted our own cost-of-living study and have the documentation which estimates that the amount that should be appropriated is, in fact, \$12.5 million.

The question that faces this subcommittee in appropriating moneys for the Panama Canal Commission is how and at what level should U.S. citizen employees be compensated for the loss of key services.

The more overriding question is, in the absence of these three key services or adequate compensation and alternatives, would enough U.S. citizens remain in the employ of the Commission to keep the canal running through the year 2000.

Does the United States want to retain effective control of the U.S. Government agency and protect important shipping and security interests? Mr. Chairman, the loss of U.S. military, postal, commissary, and exchange services represents a significant reduction in pay and a significant deterioration in the quality of our lives.

Failure to correct this inequity can only invite an exodus of the affected U.S. citizens from Panama; the same citizens needed to operate the canal, to train the Panamanians and ensure our Nation's best national security and commercial interest.

Commitment and morale would be greatly reduced for those U.S. employees who remain. We will be the only U.S. citizen employees serving overseas who will be systematically excluded from these services.

This is the biggest employee issue during the 5 years of the Panama Canal Treaty. It has been the focus of attention since the day the text of the treaties became known.

In August 1977 assurances were made to U.S. citizen employees of the Canal to seek legislation which would offset the cost-of-living increase, resulting from the loss of these services.

That promise was enacted in section 1206 of the Panama Canal Act and more recently the House of Representatives authorizing committee for the Panama Canal Commission included a specific authorization championed by Congressman Shumway of California for an allowance to offset the loss.

It has always been the position of the U.S. citizen employee that the full retention of the three services is a prime goal. However, despite the logic of a simple extension of services, we are told, Mr. Chairman, that it is unlikely.

We must return them to our first line of defense which is the cost-of-living allowance under the Panama Canal Act, which I wish to emphasize is not a raise but simply retaining what we have.

To determine the impact of the loss of these services one might consider these facts: Using the Panamanian mails would be more expensive, less convenient, less reliable, and will have serious consequences for our banking and business mail.

With respect to the commissary and exchange I wish to emphasize that the loss of these services carries a health and safety hazard. Some U.S. citizens, especially on the Atlantic side, will be forced to go into high crime areas to do their shopping.

And a considerable number of goods are not available in the local economy. The milk and meat which will be available to us will not have been inspected and proven safe for consumption. Medicines pur-

chased in Panama have been found to be ineffectual either because they are too old or have been improperly stored.

What we ask, Mr. Chairman, and members, without requiring any taxpayer moneys, is that the Panama Canal Commission budget be adjusted to reflect an appropriate compensation and that it be earmarked for the loss of postal, commissary, and exchange services should that occur.

Regardless of whatever resources are placed in the Commission appropriations, the canal cannot operate security and under U.S. control without a U.S. work force that is being treated fairly and equitably.

Therefore, we ask your help in appropriating sufficient funds to provide adequate compensation.

Senator ANDREWS. Thank you very much for an excellent statement. Let me assure you that we have asked the Panama Canal Commission for a study addressing this concern, and we hope that we will have that information before we move to mark up the bill.

Mrs. KEMP. We also are very interested in the study. All along we have been very hopeful and have based a lot of trust in that the results of that study would reflect a similar figure that our own study has reflected.

Senator ANDREWS. We will compare it with the information that you have in your prepared statement so we are sure of its accuracy.

Mrs. KEMP. Thank you.

[The statement Mrs. Kemp follows:]

STATEMENT OF LUCINDA KEMP

By way of introduction, I am Lucinda Kemp, wife of a Panama Canal Commission employee. I reside in Panama with my six children and I am here at the request of a community group representing the United States citizen employees of the Commission and in response to an invitation for comments on the cost of living allowance and the loss of commissary, post exchange, and military postal services for U.S. citizen employees of the Commission.

My purpose in being here is a sincere effort to let you know that for many of us the loss of privileges and the lack of an adequate cost of living allowance will be devastating.

As already mentioned, accompanying me today is Mr. Terrence Modglin of Impact International, a former staff member of the Subcommittee on Panama Canal/Outer Continental Shelf. I am indebted to Mr. Modglin, Mr. Nicholas Nonnenmacher, and the Panama Canal Pilots Association for their assistance in our efforts to retain services or to gain a truly compensatory cost of living allowance.

The issue I address here is the question of U.S. citizen Canal Commission employees trading PX, commissary, and APO privileges for a compensatory cost of living allowance and then determining what that allowance should be. The question appears to be: Will an appropriate and meaningful compensation adjustment be set? The real question is, in the absence of either privileges or compensation, would enough U.S. citizen employees remain in the Commission's employ to keep the canal running while Panamanians learn the necessary skills in the necessary numbers to effect the smooth, orderly transition that our treaty commitments require? The question of keeping faith over the benefits promised to Americans remaining with the canal indeed could well be the Shakespearean nail which leads to loss of the horse, the battle, and, finally, the kingdom, so far as effective control of the Panama Canal is concerned.

The real issues then become: does the United States want to continue to exercise effective control of the canal through the year 2000? Or even for the next ten years? Or for five years? Does the U.S. Government want to deal fairly with its own citizen employees who comprise only 20% of the workforce and who, only be remaining, can maintain effective control of the canal? Or has the United States, in fact, written off the canal and its employees even though we have a treaty that stipulates, indeed mandates, U.S. control of the canal until the year 2000?

After the canal treaties were passed, the Congress, provided incentives to keep skilled U.S. employees at work on the canal in a period of major transition. Mr. Chairman, without continuation of U.S. postal, commissary, and exchange services, or without a truly compensatory cost of living allowance and alternatives, the chance of achieving the key objectives of the treaty and its accompanying implementing legislation, will be as thin as the paper they are written on. At this stage in the life of the canal, there is no disagreement. Skilled U.S. citizens are needed to operate the waterway and also to keep the control of the canal in U.S. hands. There are not yet enough trained Panamanians. Without the people for whom I speak today, there will be no Panama Canal as a functional United States entity.

The loss of services represents a significant, effective reduction in income and a significant deterioration in the quality of our lives. The end result will be equally significant. Many skilled employees will leave for other work. Even those who remain will lose their sense of commitment to the Canal Commission, because they will perceive no return commitment from their government.

Why this sense of breaking faith? U.S. citizen employees of the Panama Canal Commission relied on the word of their government, including the Congress, in assuming that the continuation of the three services was a possibility and that in their absence, a truly compensatory

cost of living allowance would be provided. The treaty itself pledged that our terms and conditions of employment would be no less favorable.

The Panama Canal Act of 1979, Section 1206, was clearly intended to promote an allowance to offset any increased costs of living resulting from the loss of commissary, PX, and APO privileges. We assumed that this section was especially intended for inclusion in the set of incentives for U.S. citizens. Otherwise, it would not have appeared.

In order to document our request for a cost of living allowance, I am going to describe for you the impact that the loss of services will have on us and our families. First, however, let me point out that we have been aware of this issue and its gravity from the very beginning and have tried everything in our power to raise it with the State Department and Commission officials.

On October 1, 1979, the first full day under the new treaty, employees of the Commission met with the then Vice President Mondale. One of the very first questions asked, Mr. Chairman, was concerning the impact of the loss of these services. He assured those employees that they would be cared for.

Repeatedly, the question of service loss and cost of living allowance has been raised by employees and their spokesmen, both with the Commission and with the State Department. I will be happy to provide dates and details on request.

We have dispatched to President Reagan and to all major Democratic candidates formal requests that they, by supporting either a continuation of services or an adequate cost of living allowance, will pursue the U.S. legal and financial commitment to the canal.

Mr. Chairman and committee members, to determine the impact of the loss of military postal, commissary, and exchange services, one needs to consider certain facts.

In the postal area, I bring the following points to your attention:

Using Panamanian postal services will be more expensive, primarily because we will be dealing in international mail. An added expense will be transportation costs, because Panama does not have an adequate number of postal boxes available where we live or where we work. There is no such thing as home delivery of mail. We will probably need to travel some distance to post office boxes.

Mail between the U.S. and Panama, because it is international, can be insured only up to \$25.50.

The Panamanian mails are generally slower, much less reliable, and subject to thievery and pilferage. These are documented facts. We fear that some of our banking or other business mail would be delayed considerably or may never reach its destination at all. Unfortunately, these are not fantasies.

Some items, such as watches and appliances, must be mailed to the States for repair. These items may be lost forever or held hostage to new custom duties, which many times exceed the value of the item being mailed.

To a certain extent, our right to privacy and security could never be compensated.

We are not a burden on the APO system. It already serves 41,000 defense personnel.

With respect to commissary and exchange services, I wish to emphasize that the loss of services sets up a situation which would not just in effect be a severe reduction in income, but also a potential health and safety hazard for our families.

Some U.S. citizens, particularly those on the Atlantic side of the canal, will have to go into high crime areas to do their shopping.

A considerable number of goods stocked in the commissary and exchanges are simply not available in Panama, or at least are not of equal quality with U.S. products.

Panamanian meat has recently been denied entry into the United

States because their inspection programs do not measure up. Military Commissary meat has passed U.S. inspection standards.

Milk sold by the Panamanian dairies, is often not up to U.S. sanitary standards. The commissaries, based on the inspections conducted by the military veterinarian service, often reject Panamanian milk as unfit for consumption because of its high bacteria content. The rejected milk is then sold from stores in Panama City.

Medicines purchased in Panama have been found to be ineffectual, either because they are too old or have been improperly stored.

It seems unfair, that if we lose these military services, as far as we can determine, we will be the only U.S. citizen employees working overseas for our government who cannot use such services when they are available. Meanwhile, members of the Department of Defense in Panama, members of the Department of State, certain elite officials of the Panama Canal Commission, even certain members of the Panamanian Defense Forces and third nation embassy employees will still have these privileges. Is it fair to penalize Commission employees and their families, the very employees charged with the responsibility of keeping U.S. control of the agency and training Panamanians to operate the Panama Canal, while every other Federal government employee and many foreign nationals in Panama retain these services?

Due to the efforts of the Panama Canal Pilots and U.S. citizens generally, we have done our own cost of living study and have the documentation which estimates that the amount that should be authorized and appropriated is significantly higher than the Commission's budget estimate of \$4.0 million.

The Panama Canal Commission (PCC) administration, in its budget for FY 1985, has requested only \$4 million be set aside for this allowance. A survey conducted by PCC employees, polling the spending habits of more than 360 families as a means of determining the total cost effect to the work force as a result of loss of services, shows that a \$12.5 million

amount is needed. The market basket survey compared literally thousands of items found in military post exchanges and commissaries versus goods found in the Panamanian stores. The survey took several weeks and compared items from toothbrushes to washing machines, tomato paste to refrigerators. That survey showed prices in Panama to be higher by an average factor of 2.12 than PX and commissary prices. The survey did not include an estimated cost for the loss of APO postal services. No claim is made that this is a totally scientific survey; however, the Commission has no basis whatsoever to substantiate its low figure of \$4 million. In fact, five years ago during the hearings before the Subcommittee on the Panama Canal in February 1979, it was then estimated that a \$10-11 million allowance would be needed to offset this loss of service (see page 592 of the Subcommittee transcript).

IT HAS ALWAYS BEEN THE EMPLOYEE'S POSITION THAT THE FULL RETENTION OF THE SERVICES IS OUR PRIMARY GOAL. The issue that may be raised by a cost of living allowance with respect to the Commission budget, or any other issues, need not be faced if we can obtain an extension of services. We believe our government has not used all of its resources to support us, the U.S. employees of the Commission, on this issue.

The first and most important result of the loss of services will be a heavy attrition of employees. We have experienced other changes under the new treaty package and conditions have deteriorated, however, this is the first issue that will strike so closely at our homes and our family life. Unless proper action is taken, we believe it is reasonably predictable that resignations by U.S. employees will preclude normal operation of the Canal within a matter of months.

Mr. Chairman, we are not here to debate the treaty. However, the United States should take a considerable amount of pride in what it achieved in constructing and operating the Panama Canal. Our prestige

will be severely damaged if the United States is in charge of something that does not work.

Some would lead us to believe that political opinion in Panama is monolithic on this matter. We believe that there is, in fact, a diversity of opinion. Many Panamanian leaders realize that U.S. citizens are needed on the Isthmus to continue efficient operation of the canal, and that incentives are needed to keep the U.S. employees there.

The government of Panama would seem to have a deep interest in allowing retention of the services and thereby avoiding a cost of living allowance that would ultimately diminish the prospects for a contingency payment under the treaty.

Most importantly, we need to train Panamanian nationals to operate the canal, and we need time to do so. In the area of Canal pilots alone, one simply has to consider the various programs now being used to train new pilot recruits in order to realize that the bottom line is on-the-job training that requires the full cooperation of the pilot force or, to generalize, the full cooperation of the U.S. employees if it is to succeed.

Mr. Chairman, there have already been treaty modifications. Some significant changes have been made to the Agreements in Implementation of Articles III and IV of the Treaty:

(a) The State Department negotiated their own separate agreement with Panama in November 1979 to obtain privileges for an indefinite period.

(b) The Balboa commissary was allowed to remain open beyond its original closing date.

(c) The Panama Canal Commission agreed to pay the employer's share of the so-called 13th month bonus in Panama.

(d) It appears there will be a new agreement regarding the School of the Americas.

(e) In the last few months, in one of the last Board meetings, a decision was made to abolish the Panama Area Wage Base at an estimated increased cost over the life of the treaty of \$200 million. I would like to mention that this action was not treaty mandated nor was it contemplated by Congress. If these kinds of changes can be made, can not the changes necessary to maintain the standard of living and quality of life of U.S. citizen employees of the Commission be made?

Mr. Chairman, we are asking for no increase in salary. We are asking only that the Congress act to limit the flexibility of the Canal administration so that Panamanian politics, rather than fairness and common sense, do not dictate the payment of the cost of living allowance contemplated by Section 1206 of the Panama Canal Act of 1979. It should also be noted that neither an extension of privileges nor a fair and equitable cost of living allowance would require any funding from tax revenues. We are only asking that we retain what we have. The benefits of an extension of military commissary, exchange and postal services are most convincing:

a. Panama keeps the current bare minimum of U.S. citizens to train their Panamanian counterparts. U.S. citizens possess blue collar skills that are not available on the local economy.

b. Congress retains a key U.S. workforce which is essential in order to maintain effective U.S. control of the Panama Canal—a U.S. Government agency until the year 2000.

c. There is no additional cost to the Commission.

d. There is no reduction in contingent revenues paid to Panama.

e. Most importantly, there is equity of treatment of U.S. citizen federal employees in Panama, not divisiveness.

To help clarify the funding aspect of this issue, I would like to submit for the record, the letter Congressman Norman D. Shumway sent to

his colleagues prior to the full House vote on HR 4900 on April 10, 1984.

Approximately 70 percent of the shipping that goes through the canal has a direct effect on the United States. There is a strategic importance of maintaining a basehold in Panama to protect Central America. This importance has been re-emphasized by President Reagan in recent news conferences. If the canal is not run by a U.S. government agency or its effective control is not in U.S. hands, there would be little basis for continuing the present level of forces there. We are like soldiers in Panama, trying to do the job that we do best—operate the canal. We need your help and we need your cooperation to enforce the assurances of our government which guaranteed the retention of a quality of life necessary for our families to remain overseas.

The legislative history clearly states that the intent of Congress was not to hurt the U.S. employees who have decided to remain in Panama to help implement the treaty provisions.

Congressman Shumway's amendment to the Commission's authorization bill (HR 4900) which was passed by the full House and is presently in the Senate, authorizes the President of the U.S. to attempt to continue the availability of privileges and authorizes a cost of living allowance and other compensation necessary to offset loss of these privileges if the privileges are not continued. Therefore, at this time we are seeking your help in order that sufficient funds will, in fact, be appropriated so that if attempts to extend the privileges are not successful, a fair and adequate Cost of Living Allowance will be provided to U.S. citizen employees losing military commissary, postal and exchange privileges.

Attachments - Cost-Of-Living Telephone Poll
Market Basket Survey

PANAMA CANAL PILOTS ASSOCIATION COST OF LIVING TELEPHONE POLL

Survey was conducted from 1 February to 11 February 1984 attempting to take a random sampling from the Panama Canal Commission Telephone Directory. Information requested was the amount of money that each family routinely spent every pay period (two weeks) at the commissary, post exchange, gas station, post office and other military services; the number of people in the household, and the wage earner's employing agency.

Results

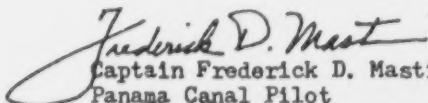
Households providing information:	366
Average people per household:	3.15
Average bi-weekly budget expenses:	\$431.64
Approximate number of employees who would lose military services as of 1 October 1984 according to PCC Administration officials:	1000

Market basket factor increase to purchase like items in Panama using combined research figures from separate studies by Panama Canal Pilots Association and Residents Advisory Committee:	2.12
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Formulae: average bi-weekly budget X market basket factor, minus average bi-weekly budget = extra bi-weekly monies needed to shop in local stores in Panama. Extra bi-weekly monies X 1000 employees X 26 pay periods per year = annual compensatory Cost of Living Allowance.

(\$431.64 X 2.12) - \$431.64 =	\$483.44
\$483.44 X 1000 X 26 =	<u>\$12,569,356.80</u>

Reported Panama Canal Commission amount budgeted for Cost of Living Allowance for FY-85	\$4,000,000.00
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 Captain Frederick D. Mastin
 Panama Canal Pilot
 Chairman, Legislative Affairs
 Panama Canal Pilots Association

[CLERK'S NOTE.—The Market Basket Survey was not printed in the record but is available for review in the subcommittee files.]

STATEMENT OF INTERNATIONAL ORGANIZATION OF MASTERS MATES & PILOTS

In representation of what is the overwhelming sentiment of the U.S. citizen employees of the Panama Canal Commission, I am writing to set out our position and to ask your assistance in correcting an inequity which by its resolution will foster the continued efficient operation of the Panama Canal and the realization of major U.S. treaty obligations to Panama.

On October 1, 1984 our access as U.S. citizen Commission employees to military postal, commissary and post exchange services in the Panama Canal area is scheduled to terminate. We believe this is an unfair, impractical, and counterproductive move at this time in the history of the Canal. To correct it, we are asking that you encourage the Administration and the Department of State to negotiate an arrangement with Panama to permit these services to continue. Failing a new agreement in the months to come, we ask your support for acceptable service alternatives and/or a compensatory Cost of Living Allowance authorized by the Panama Canal Act of 1979.

BACKGROUND

Permit me the opportunity to provide some background on this important subject of postal, commissary and PX services to aid you in understanding why the matter is taken seriously here on the Isthmus of Panama. There are a number of adverse policies -- in housing, financial austerity measures, and education, for example -- that will affect U.S. citizen employees in the next year, but to no other issues is attached such importance.

One paragraph in an implementing agreement to the Panama Canal Treaty (Paragraph 3, Article XIII of the Agreement Implementing Article III) states that five years after entry into force of the Treaty, U.S. citizen employees of the Canal Commission will lose postal, commissary and PX "privileges." From the inception of the new treaty period, U.S. citizen employees saw and Canal management agreed that this provision would be extremely troubling to the remaining U.S. workforce at the Canal. To some extent the continuing presence of our group is contingent upon decent services for our families and the representative purchasing power of our wages.

Canal Commission employees have hoped for several years that an updated agreement with Panama could be devised to extend the accessibility of these services, which will continue to be provided DOD employees in Panama and other non-Commission employees. Administrator McAuliffe shared this hope, testifying to it on the public record on several occasions. In late September the Administrator announced that his efforts to seek cooperation from Panama to extend these services had proved fruitless. Therefore, he said, "Mr. [Deputy Administrator] Manfredo and I have decided that the time has come to announce our conclusion that there will be no such extensions ..." This announcement, coming in the midst of several other difficulties for the U.S. employee, was extremely disheartening.

DISADVANTAGEOUS POSITION

One of the most difficult aspects to accept regarding the loss of the three key services is the feeling that we are being downgraded within the U.S. government precisely because we do the mainline work for the Panama Canal. If indeed we do lose these "privileges," as the implementing agreement call them, Panama will be the only area where U.S. citizen employees of the Federal Government serving their country abroad are denied such services

when the facilities are available. On the other hand, our counterparts, employees of the DOD, State Department, and various top administrative officials of the Commission will retain the above-mentioned benefits.

U.S. citizen employees most affected by the potential changes - those who had worked for the predecessor Panama Canal Company - read in the treaty that "The terms and conditions of employment to be established will in general be no less favorable ...". One needs only to read the Treaty and to be abreast of events to know that conditions are declining to precarious levels. Americans who have devoted lifetimes in support of their Government, and the Panama Canal, and those that thought they had a future here, have been cast aside in favor of political expediency. They are asked to quietly accept a policy that denies them certain freedoms they once enjoyed, and deprives them of services they would otherwise have in any other foreign area, were the services available.

For all of us, then, the loss of these services is contrary to the overriding treaty premise for Canal workers that terms and conditions of employment would be generally "no less favorable." (See paragraph 2(b), Article X of the Panama Canal Treaty.) Clearly, our terms of employment will be less favorable unless our access to these services continue or unless there is a compensatory COLA combined with other arrangements to secure the essence of what these services provide. The loss of services would also be contrary to the U.S. policy of providing for more uniform treatment of U.S. employees overseas to the extent conditions permit.

Finally, we should note that the United States and Panama negotiated the new treaty arrangement to provide for an "open, neutral, secure and efficiently operated canal." This one measure, to limit access to services, works against those overall treaty purposes because it would tell us our concerns are not important at a time when we believe we are a key element in making the treaty and canal work.

PANAMA'S POSITION

It is recognized that a number of changes have been made relative to the implementing agreements to the Panama Canal Treaty. Such changes have interrelated with the Panamanian Social Security System, kept open the Balboa Commissary, and will keep open the School of the Americas (under a new name). United States citizen employees of the Panama Canal Commission are asking whether a change to retain our access to these three key services can also be made, in the U.S. interest.

Obviously only Panama can comment on its own feelings and perceptions about this service matter. We offer here, however, what we believe are some facts indicating Panama's best interest at this time may well be in permitting U.S. Commission employees to continue to enjoy these three services.

The commercial-type benefits that Panamanian government and business will derive from termination of these services will be minimal. The actual new market for Panama that could emerge would be about 800 employees and perhaps 2,000 persons overall at the maximum, and that market will be diminishing. It seems unlikely that Panamanian government or business leaders will make the substantial capital investment that would be needed to serve such a diminishing market. Rather, the Government of Panama would seem to have a deep interest in allowing retention of the services and thereby avoiding a Cost of Living Allowance that

would ultimately diminish the prospects for a contingency payment under Article XIII 4(c) of the Panama Canal Treaty.

Most importantly, our daily working relationship with Panamanians in operating the Canal convinces us that it is in Panama's interest that the U.S. workforce, especially in key pilotage, craft and management positions, remain on the Isthmus at this time. Keeping the services would encourage a contingent of U.S. employees more amenable to providing the necessary training to Panamanian Nationals, so that they can effectively and efficiently carry on the operation of their international landmark. We as U.S. employees are less likely to stay here without these services for our families. In the area of Canal pilots alone, one simply has to consider the various programs now being used to train new pilot recruits in order to realize that the bottom line is on-the-job training that requires the full cooperation of the Pilot force or, to generalize this example, the full cooperation of the U.S. employee if it is to succeed.

Having reviewed the Panamanian interest in this matter, let us also look at it from the U.S. perspective. It would seem logical to take steps to provide incentives rather than disincentives for those who will be required to provide their knowledge, skills and expertise for the next 17 years in order for the U.S. to carry out its treaty commitments and to do so with real control of the Panama Canal and without cost to the U.S. taxpayer.

ALTERNATIVES TO SERVICES

The sincere purpose of this letter/paper is to gain your support in encouraging the U.S. government to take a strong position and make an arrangement with Panama to retain military postal, commissary and exchange services for U.S. employees of the Panama Canal Commission. We believe our government, mindful of its interest and the good work of its employees, can do this. We would be remiss, however, if we did not take note of some potential alternatives or the consequences of losing the services without any compensation.

We understand our government may look at some alternatives to meeting the service needs of U.S. Commission employees. It is encouraging to note this interest, and we only hope that the alternatives truly serve our needs. Language in the implementing agreement should not be an obstacle to raising creative alternatives. We note that both governments in this bilateral treaty package have been persistent in finding ways to have treaty language serve their own objectives when they wish. The position of the U.S. government on taxing U.S. citizens here on the Isthmus is one example.

Section 1206 of the Panama Canal Act of 1979 (22 U.S.C. 3646) authorizes the payment of a Cost of Living Allowance to U.S. citizen employees of the Commission who were with the Panama Canal Company and Canal Zone Government when the new treaty came into effect or who have been recruited for positions outside Panama since that time. The purpose of the COLA, as stated is

... to offset any increased cost of living which may result from the termination of the eligibility of the officer or employee and his dependents to use military postal services, sales stores, and exchanges. The amount of the allowance may be determined by the Commission.

Administrator McAuliffe has promised a fair COLA to U.S. citizen employees and has decided to have an impartial organization make recommendations on the amount of such compensation. Without

prejudging the study, we must note that a market basket survey conducted by a COLA Committee of the Panama Canal Pilot Branch indicated that family food costs would more than double as a result of loss of commissary use. The increased cost of gasoline alone for the many U.S. citizen employees who must drive major distances to work will be substantial. We are concerned lest the COLA be constrained by the present downturn in tolls and thus not be truly compensatory.

A COLA is definitely necessary if the three services are not retained or if fully suitable alternatives are not created. The financial impact of the COLA on the Canal operation, user and Panama, while justified, points out the relative benefit of simply extending the services.

SUMMARY

In summary, we ask that you encourage the executive branch, especially the Department of State, to negotiate an arrangement with Panama to extend the use of military postal, commissary and exchange services beyond October 1, 1984. We hope this could be done in the next few months, so as to help U.S. citizens to plan with their families. At the same time we hope that work already ongoing to look for creative alternatives to the present system would be intensified. Finally, if the above solutions cannot be applied, we ask your support for a fair and truly compensatory COLA. We ask your assistance because

- o When compared with other U.S. government employees in foreign countries, we have been particularly disenfranchised by denial of access to these services.
- o The loss of these services is a particular departure from the general treaty rule that terms and conditions of employment were to be "no less favorable."
- o Retaining the services would be the most practical way to maintain a smooth operation of the Canal (by retaining key skilled personnel) and meeting our treaty obligations to Panama (through the training of Panamanian replacements) and protecting national security.
- o Despite the visibility of this issue, a change can be made relevant to this matter since other change even in matters of rather high visibility have been made in the implementing agreements.
- o The number of U.S. citizen employees involved is so small that their reliance on the Panamanian economy would not have a significant economic impact yet the loss or disaffection of the same group could have a significant effect on the operation of the Canal.

All of this really comes down to one tenet - help us to avoid a significant deterioration in the quality of life of our families. This is a case in which the U.S. government has pledged to a foreign government a certain restriction on U.S. citizen employees of a U.S. government agency, a phenomenon not unique but relatively unusual in the way it applies in this case. With the assistance of your office and the organization you represent, we believe that we can untie our own hands, so to speak, and provide needed benefits without significant or irreparable damage to relations with Panama.

CONCLUSION OF HEARINGS

Senator ANDREWS. That concludes the hearings. The subcommittee will recess and reconvene at the call of the Chair.

[Whereupon, at 12:03 p.m., Thursday, May 3, the hearings were concluded and the subcommittee was recessed to reconvene at the call of the Chair.]

MATERIAL SUBMITTED SUBSEQUENT TO THE HEARING

[CLERK'S NOTE.—Subsequent to the hearing, the following statements were submitted for the record:]

(607)

STATEMENT OF HON. CHARLES H. PERCY, U.S. SENATOR FROM ILLINOIS

Mr. Chairman, it is indeed a pleasure to testify before this subcommittee on the crucial issue of transit funding for Northeastern Illinois. I have a number of concerns which I wish to briefly touch upon.

It is vitally important that federal operating and capital assistance be maintained. Current plans to reduce operating assistance-- and eventually discontinue it altogether-- are extremely disturbing to me. The Chicago Transit Authority and the Regional Transportation Authority have made every effort to streamline their operations and economize over the past few years, during which they experienced severe financial difficulties. We now have a very efficient transit establishment in Northeast Illinois which is on a firm financial footing. Without operating assistance funds from the federal government, however, the financial situation will deteriorate. Drastic cuts in services and increases in fares would then occur.

Similarly, capital assistance programs under Section 3 and Section 9 should be appropriated at the levels authorized under the Surface Transportation Assistance Act of 1982. I believe it's important to point out that the CTA and RTA, due to a shortage of capital funds, had to defer important capital improvements during the period preceding passage of the STAA. Full funding under the Act will reverse the rate of deferment, and help to meet a seriously underfunded capital need around Chicago.

Most importantly, funding must be assured for the Interstate Transit Transfer program. The Administration's budget calls for a \$250 million appropriation for transit transfer, \$140 million below the amounts authorized in the STAA. I strongly endorse an increase in the transit transfer appropriation to \$335 million, an amount still well under the STAA-authorized level for fiscal year 1985. If the Administration plan stands,

several important Illinois transit capital improvements will be endangered.

Of particular concern to me is the construction of the Southwest Rapid Transit Line which would service the southwest side and stop at, among other places, Midway Airport. This line has been planned for many years and, in fact, is one of the lowest cost-per-mile new starts in the United States. We sorely need at least \$150 million in FY '85 transit transfer funds to complete this and other important projects such as the Loop Elevated rehabilitation. Residents of the southwest part of the southwest part of the Chicago metropolitan region urgently need a high speed transit line. I strongly urge that the transit transfer appropriation be increased to meet this need and fulfill the promise made by the federal government to our area.

I know that Michael Cardilli, Chairman of the CTA, along with CTA Executive Director Bernie Ford and Public Works Commissioner Jerome Butler, will go into more detail on Chicago transit needs. Thank you very much.

STATEMENT OF HON. GARY HART, U.S. SENATOR FROM COLORADO

Mr. Chairman, I appreciate the opportunity to submit testimony for the Record on the Colorado C470 Parkway, a vital highway project to address the transportation needs of the Southwest Denver area. I support \$60 million funding level for FY84 and urge the Committee's favorable and expeditious action on this matter.

The Senate Appropriations Subcommittee on Transportation has been very supportive of the C470 project in the past and members of the C470 Task Force would like to request your continued support for this very important project. I support and endorse their testimony today.

As you know, Denver is among the most rapidly growing cities

in the nation and is experiencing new and greater traffic problems. The need for the C470 Parkway is more pressing than ever because of the increases in traffic and an overburdened, aging road system in the Southwest part of the City.

In December 1976, I470 was withdrawn from the Interstate System and became part of the Interstate Transfer project. The decision to withdraw the project was made after extensive public input and detailed technical and environmental analysis, and received overwhelming support from the communities involved. Strong local financial support has ranged from local government bond issues to discounts on purchases of land.

It is critical the Senate maintain a reasonable level of funding for the Interstate Transfer Program. Providing adequate capital is essential to ensure the most cost-effective, timely completion of the C470 project.

From the time of the withdrawal of the Colorado 470 project through the end of fiscal year 1983, \$60.7 million has been made available to the project. Of this amount, \$41.5 million was received in FY 1983. Fiscal year funding for 1984 presently totals \$10.7 million with an anticipated \$2.9 million to be apportioned upon approval of the pending Interstate Cost Estimate.

This drastic reduction in FY 1984 funding will delay completion of the project for approximately six years. This is intolerable given the rapid growth and traffic needs in Southwest Denver. However, should the requested funding level of \$60 million be made available, the C470 Parkway could be completed in half that time and avoid additional costs.

In summary, I request the Committee approve \$60 million in FY 1985 funding for the interstate substitution program in the Denver area. I am aware of competing interests and projects in this

program. However, the C470 Parkway preceded many other projects in the Interstate Transfer program and should therefore be given priority funding.

Mr. Chairman, I appreciate the opportunity to submit testimony on behalf of this critical project and look forward to working together in coming months.

STATEMENT OF R.J. KNAPP, COMMISSIONER, STATE OF ALASKA DEPARTMENT OF
TRANSPORTATION AND PUBLIC FACILITIES

I understand that in the process of considering Transportation matters, development at Unalaska, Alaska and its attendant impact on other activities in the area could become a subject of discussion. The intent of this letter is to document that activity so that it may be taken under consideration as appropriate.

Dutch Harbor is the focal point for the development of Western Alaska's fishing and offshore oil industries and their related support industries. It is host to a heavy concentration of shoreside fish processors, each supported by a fleet of domestic fishing vessels. The overflow is moving into Akutan Harbor, thirty miles to the east, spurring development of that port. Last year the first domestic bottomfish catcher/processors began working in the Bering Sea and two more such vessels are under construction.

The next three years will see oil and gas lease sales take place in the St. George Basin (north of Dutch Harbor), the Navarin Basin (northwest of the Pribilofs), and the North Aleutian Basin (northeast of Dutch Harbor). Oil companies have stated that after investigation of several alternatives, Dutch Harbor is the only suitable location for staging operations.

Despite this activity and the fact that Unalaska is the regional economic center for the Aleutians, an archaic air facility supports an air service which is slow, expensive, unreliable and hazardous. Unless significant runway improvements are effected we can expect that efficient and effective development of the region's potential will be severely inhibited. For example, higher development costs for natural resources will be passed to consumers; the lack of fast and reliable air freight service will impede development of a U.S. fishing industry in favor of foreign processors; and further, I know from personal experience in the U.S. Coast Guard, as Commander of the 17th Coast Guard District, that when we sought to respond to increased Search and Rescue activity in the Aleutians, Cold Bay was the preferred base of operations only because of superior airport facilities. Dutch Harbor was clearly the favorite in all other respects.

We in Alaska are moving ahead to seek solutions to the problem, the latest effort directed at relocating the runway to achieve lower costs. In any case, however, it's going to be an expensive operation and I feel that some cost sharing between the Federal and State governments would work to our mutual benefit.

STATEMENT OF QUENTIN L. KOPP, CHAIRMAN, SAN FRANCISCO BAY AREA
METROPOLITAN TRANSPORTATION COMMISSION

Good Morning Mr. Chairman and members of the Committee. I am Quentin L. Kopp, Chairman of the Metropolitan Transportation Commission of the San Francisco Bay Area where transit services are provided by not one, but by 7 major and some 15 smaller transit operators, and a member since 1972 of the San Francisco Board of Supervisors. Despite the several different operating agencies in our region, I am here today to present to you a regional consensus on how we plan to address our current and future transit needs and to tell you how important your Committee's actions are to the eventual attainment of our goals.

Our region has a history of firm commitment to transit as evidenced by the level of service now provided throughout the region and by the role that local support has played in the development of that service. Bay Area residents are well aware of the need for a continued commitment to the improvement of transit. A recent Bay Area poll by the premier Regional Business Council shows that transportation is the number one concern facing the region (see Exhibit A attached hereto). More importantly, the poll shows there is strong support for providing the local share of funds for the needed improvements. Eight out of ten Bay Area residents think getting around in rush hour traffic is harder today than it was two years ago, and a strong majority of those sampled believe upgrading the transportation system is important. Over 50% favor a gas tax increase that would provide support for transit as well as maintenance and repair of local streets and roads. But continued federal support for transit operations and capital improvements is also needed. Therefore, we urge you to eliminate the proposed cap on Section 9 operating assistance and to appropriate the fully authorized amount of \$875,000,000. This would result in a \$15,000,000 increase in assistance for Bay Area transit operators. Also, we request support of an increase in the 1985 Section 9 appropriation to the fully authorized level of \$3,950,000,000, which would bring an additional \$29,000,000 to our region. If the Section 3 trust fund authorization is approved and extended through 1987, we urge you to

appropriate the full \$1,500,000,000 that is available, according to a recent Congressional Budget Office report.

Appropriation of \$250,000,000 for interstate transfer transit projects is very important to our region as well. We are nearing completion of a study of possible transit projects for the I-280 corridor in downtown San Francisco. Top priority projects are slated to be selected later this year for which funds will be sought.

Over the past nine months the Metropolitan Transportation Commission has held many public meetings to receive testimony from transit operators, cities, counties, the state of California, other public agencies, and the public regarding new rail transit starts and extensions. The purpose of these meetings was to develop a political and popular consensus on future rail development as well as a financial strategy so that this region can compete successfully for indispensable state and federal funds. The public meetings demonstrated considerable support for the expansion of the existing systems and of the need for MTC to take the lead in developing a regional consensus. As a result, we now have a consensus for a 16-year, \$2.8 billion new transit starts and extensions plan selected from a long list of projects estimated to cost approximately \$7,000,000,000. This major MTC effort has brought order to the process of selecting projects for which federal funds will be sought and is evidence there is clear recognition on the part of the operators and the concerned public of the need to unify behind one program for the entire region. Three of the major corridors, San Francisco to San Jose, Fremont to San Jose, and Central Contra Costa County to San Ramon Valley, are now embarking on major studies further to define the rail or other transit projects that will best serve the transportation needs of these corridors, each of which is experiencing enormous industrial growth. In order to satisfy UMTA study requirements these efforts will need additional Section 8 planning funding so they may be completed in a timely manner.

A substantial portion of the rail modernization and new rail starts funds available for our region over the next three to five years will be used for

projects that already have funding commitments or which are prerequisites to any rail extensions. These include the Guadalupe Corridor light rail project for which we thank you for helping to obtain the UMTA letter of intent.

Other projects that require funds now are the modernization of the Peninsula Commute Service between San Francisco and San Jose, the Muni-Metro Embarcadero station turnaround in San Francisco, and BART improvements including a turnback and storage facility in Daly City and new rail cars.

We anticipate that the cost of the full \$2.8 billion new rail program will be shared equally between federal and local sources, and we are working within the region to develop the necessary local financing.

Thank you for the opportunity to present our views and we will be pleased to answer any questions from the Committee.

[Exhibit A]

BAY AREA POLL

A Call for Better Mobility

It is not surprising that Poll respondents named transportation the region's most serious problem, in light of the fact that eight out of ten say it is harder to get around during rush hour today than it was two years ago, and more than half of those say it has become "much harder."

The Poll reveals a strong feeling that improvement is needed in all elements of the Bay Area transportation system, including local streets and roads, public transit, and freeways. In each case, a strong majority of those sampled believe upgrading is important.

Greatest concern focuses on the region's network of streets and roads, which 60% of respondents describe as having deteriorated over the past year (see "Getting Better or Worse?"). This is a marked increase over the previous Poll, when 37% thought streets and roads were worsening.

Is getting around during rush hours easier or harder than it was two years ago?

- 7% Easier
- 10% No change
- 80% Harder

How important is it to improve...

...local streets and roads?

- 55% Extremely/very important
- 31% Somewhat important
- 13% Not too important

...transit in your area?

- 51% Extremely/very important

24% Somewhat important

19% Not too important

...the freeway system?

48% Extremely/very important

25% Somewhat important

25% Not too important

Paying for Solutions

Not only do Bay Area residents view transportation as a high-priority problem, they believe more money should be spent on solutions. Two in three of those surveyed agree that more money is needed to maintain and repair local streets and roads in their area. In contrast, a year and some months ago half of the Poll respondents said "just about the right amount" of money was being spent for that purpose.

The Poll also shows an upswing in public support for a five-cent increase in the state gas tax to maintain local streets and roads. Such a measure is favored by 62% today, compared to 51% in October '82.

Those sampled are most inclined to support a gas tax hike if revenues are earmarked for street and road maintenance. This is a switch from the previous Poll, when most support went to a measure allocating some revenues for public transit.

Just over half favor a gas tax increase that would provide some support for transit.

Is more money needed to maintain and repair local streets and roads?

- 66% Yes
- 30% No
- 8% Neutral/no opinion

Would you favor a gas tax increase of 5 cents/gallon...

...if the money raised were used only for local street and road maintenance and repair?

Nov	Oct
83	82

62% 51% Yes

35% 47% No

...if part of the money were used to improve public transportation in your community?

51% 58% Yes

46% 39% No

...if part of the money were used to build new streets and roads?

47% 44% Yes

49% 53% No

Green Light for BART to SFO

Almost three-quarters of those sampled support the extension of BART to San Francisco Airport, with 51% "strongly" in favor. On a county-by-county basis, support was

83% in San Francisco, 80% in San Mateo County, 78% in North Bay counties (Marin, Napa, Solano and Sonoma), 74% in Alameda County, 71% in Santa Clara County and 53% in Contra Costa County.

Do you favor or oppose extending BART to San Francisco Airport?

73% Strongly/somewhat favor

14% Strongly/somewhat oppose

13% Neither favor nor oppose

About the Survey

Field Research Corporation, an independent marketing and opinion research firm, conducted the telephone interviews for this survey in November 1983. Interviewees were randomly selected Bay Area residents 18 years of age and older. Computer-generated random telephone numbers were used to ensure that the sample included both listed and unlisted telephone numbers. The sample was stratified to reflect the relative populations and proportions of males and females in each county. Demographic data such as sex, age, race/ethnicity, education, occupation, income, household employment, length of residence in the Bay Area was obtained from each respondent. For further information regarding the Poll, call or write the Bay Area Council.

STATEMENT OF FRANK OLLENDORFF, CITY MANAGER, UNIVERSITY CITY, MO.

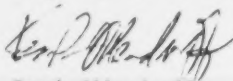
City officials from the City of University City, Missouri have reviewed the statement submitted to the Senate Transportation Appropriations Subcommittee by Honorable Thomas F. Eagleton on May 3, 1984. We would like the following comment upon the statement to be made a part of the record.

The document submitted by Senator Eagleton includes a position statement on Light Rail Transit prepared by R. Hal Dean. On page 8 of Mr. Dean's statement, reference is made to a rail spur that was originally proposed to link the main line to Clayton by passing on grade through University City. Mr. Dean's statement suggests that the spur has been temporarily put on hold due to the questions raised by "some of the residents" of University City and Clayton and that the spur should be reconsidered at a later date because of the benefits that it would bring to St. Louis' public transit system. Mr. Dean's statement is inaccurate on several counts:

1) The University City-Clayton spur was adamantly opposed by the elected and appointed officials of University City and Clayton. These officials communicated their opposition in writing over a period of many months to UMTA, East-West Gateway, Mayor Schoemehl, County Executive McNary, other County elected officials and U.S. Representatives and Senators. A citizens organization representative of 2,000 households was formed and has actively opposed the spur.

2) It is impossible to conclude from the Draft Environmental Impact Statement/Alternatives Analysis that the spur "would be desirable and would greatly enhance St. Louis' public transit system." The cost of the spur would be high because it would entail construction of new rail. Ridership projections are low. There are no available locations for park-and-ride lots along the proposed route. Clayton and, in fact, the entire route is densely developed and is totally impractical as a transfer point from bus or auto to rail for commuters from outlying suburbs. 70% of the downtown Clayton workers live south and west of Clayton and would derive no benefit from the spur. It is clear that improved bus transportation in the Clayton-University City area would be a far more cost-effective means to meet transit needs in this area. That is why the East-West Gateway Coordinating Council Board endorsed Alternative 5 which omitted the spur and recommended a shuttle bus system to serve University City-Clayton and feed riders into the main line of the proposed system. If Hal Dean and his committee insist that the "door be left open" for reconsideration of the spur, it will only result in a re-run of a time-consuming and costly debate which will paralyze the region in its efforts to achieve improved transit.

Respectfully submitted,



Frank Ollendorff,
City Manager

STATEMENT OF THOMAS M. HARMELINK, PRESIDENT, NATIONAL ASSOCIATION OF STATE
EMERGENCY MEDICAL SERVICES DIRECTORS

The National Association of State Emergency Medical Services Directors is composed of the directors of the lead emergency medical services agency in each state, the District of Columbia, and the U.S. territories. Each of these agencies has the primary responsibility for the development of emergency medical services in their respective state or territory, as well as for licensing and inspecting ambulances, certifying emergency medical services personnel, and other such functions related to maintaining minimum standards for prehospital emergency care. As an association, one of our purposes is to ensure continued support for the ongoing development of emergency medical services by working with federal government agencies. It is in this vein that I want to take the opportunity to present our views on the appropriations now being considered by the Subcommittee on Transportation.

Beginning with the Highway Safety Act in 1966, the Department of Transportation has recognized the importance of emergency medical services to highway safety and, over the years, has assumed a much needed leadership role in this area. The early 1970's saw the passage of the Emergency Medical Services Systems Act which heralded a major national effort to improve emergency medical services in this country. This effort, administered by the Department of Health and Human Services, supplemented the ongoing work of the Department of Transportation. The resultant changes of this national movement are evident to some degree in virtually every community across this country.

Unfortunately, for the past three years, emergency medical services has been pushed into the back seat at the federal level. Why? Trauma continues to be the leading cause of death in this country and the leading cause of death for those under the age of 40. Of particular concern to the Subcommittee on Transportation should be the fact that about half of all severe trauma is caused by motor vehicle accidents. A recent study conducted in North

Carolina shows that there are over 7,000 cases of severe trauma a year in the state with 47 percent of it being attributed to automobile accidents.

While the major effort of the 1970's produced some significant improvements in emergency medical services nationwide, the work is not done--not every community has an efficient and effective emergency medical services system. This is particularly true in rural areas where much of the service is provided by dedicated volunteers. Development of comprehensive emergency medical services systems takes time, and we find that different communities are ready to take this step forward at different times. The scarcity of resources and the need to develop liaisons with urban areas often complicates the development of rural systems adding to the length of time needed to fully develop them. Furthermore, it is essential that we take steps to ensure that EMS systems already developed remain up-to-date with current medical knowledge and technology. We cannot afford to let EMS fall once again into disrepair in hopes of later salvaging it with another national effort.

The states have assumed a role as the focal point for emergency medical services development. A recent survey conducted of our membership shows that 65 percent of the monies going to state EMS programs comes from state appropriations while, on the average, 10 percent comes from DOT 402 funds. Block grant funds account for approximately 20 percent of the funding and other sources for 5 percent. While comparable statistics are not available from earlier years, I am quite confident that the percent of DOT money going into state EMS programs has declined significantly over the years. Even though many states have stepped in to fill the gap left by the federal withdrawal of support for emergency medical services, there is still a need for a partnership between the states and the federal government to attack the number one killer of our young men and women. The federal government cannot solve the problem independently, but, through its resources and breadth of activities, it can accomplish things that the states

alone cannot. States have heeded the call to do something about this problem only to see the federal government withdraw.

One activity where the federal government can be particularly effective is the creation of a national awareness of the trauma problem and the value of a comprehensive emergency medical services system. Considerable attention has been given to preventive measures of improving safety on our roads. EMS needs the same attention. Regardless of the preventive measures, there will always be accidents. The victims of these accidents deserve to have the best possible chance to live.

Another important role of the federal government is that of stimulation of state involvement. A few dollars placed into the emergency medical services program at the national level can expand as the money flows to the local level. Incentive programs might be established for state highway safety programs to encourage their involvement in emergency medical services development.

Although I have concentrated on the aspect of highway related trauma, emergency medical services as a countermeasure has a significant impact on other aspects of emergency medical care. A prime example is in the area of cardiac care where prompt and efficient emergency medical services systems have been demonstrated to effectively reduce death and disability as a result of severe heart attacks. This is an important, and often overlooked, trickle down effect of the Department of Transportation's involvement in emergency medical services.

Priorities and intentions of the Congress and federal government are reflected in the appropriations approved for various programs. The National Association of State EMS Directors encourages the Subcommittee to support an increased level of appropriations for the Department of Transportation's funding of emergency medical services. While the Administration has articulated increased support for emergency medical services, one of the major problems is that this sense of priority and importance is not followed through at the local program level where the decisions regarding

the allocation of 402 funds are made. Thus, we would ask that the Subcommittee take steps to ensure, either through earmarking or set asides, that monies appropriated for the Department of Transportation are utilized to upgrade emergency medical services. Do not be fooled into thinking that EMS development is complete or that the federal government no longer has an important role in this field.

STATEMENT OF THOMAS C. DORSEY, VICE PRESIDENT, THE AMERICAN SHORT LINE RAILROAD ASSOCIATION

My name is Thomas C. Dorsey, and I am Vice President-General Counsel of The American Short Line Railroad Association (ASLRA), 2000 Massachusetts Avenue, N. W., Washington, D. C. I have held this position since November 1978. My prior experience includes four years with the Association of American Railroads, private law practice, and nearly eight years with the Interstate Commerce Commission, beginning in 1962. I hold a B.A. degree from the State University of New York at Buffalo and a J.D. degree from Duke University.

ASLRA is a voluntary, unincorporated, nonprofit trade association composed of approximately 265 member railroads, most of which are Class III carriers under the Commission's revenue classifications. ASLRA represents its member roads in regulatory matters before various Federal agencies, the Congress and the courts, insofar as such matters require joint handling in the interest of safe, adequate, economic and efficient rail service for the public.

Most of the railroads we represent are small -- small in revenues, as Class III signifies, and small in size. There is, of course, no statutory definition of a short line railroad, but by tradition, that name has referred to a road of less than 100 miles in length, and the vast majority of our members are well below that mark. Many of these short line railroads now provide the only direct rail service to the literally thousands of communities, industrial areas and ports that they serve. These lines are vital to their shippers and are important

to the railroad industry as a whole in that they originate, terminate, or handle as an intermediate carrier, substantial quantities of freight primarily transported by the nation's large railroads. By virtue of their size, proximity to their shippers and receivers, and the familiarity with the needs of these customers, short lines provide an efficient and economical service responsive to the demand of those utilizing them.

The first short line railroads were born out of necessity in the late 19th and early part of the 20th century. Existing trunk line carriers could not or would not invest any substantial sum of money in building a branch line to a single plant, mine, or other industry, unless the success of that particular industry had been proved to the extent of assuring a regular dependable rail movement sufficient to justify the investment. Since the development of the industry and the building of the railroad went hand-in-hand, their success could not be guaranteed in advance and therefore could never have gotten off the drawing boards unless those interested in them had built and operated their own railroads. Generally speaking, only those who had confidence enough in a new industry to finance its development and operation were willing to take that kind of risk.

A new class of short lines, formed in the past decade, also were born out of necessity. They came into existence in part due to the overbuilt condition of the trunk lines and the financial problems associated with branch lines. It became apparent to the Congress over 10 years ago that the branch line problems, although varying significantly in character and severity from region to region and within certain regions of the Nation, was a serious problem nationwide. Therefore, beginning with the 3-R Act, and continuing with the 4-R Act and others, it authorized a branch line assistance program. Underpinning this program was the belief that with the infusion of financial assistance in appropriate forms, many deteriorated branch lines in a poor financial posture could be successfully rehabilitated, both physically and financially. Appropriate rehabilitation efforts were expected to have a catalytic

effect in luring new industry to locate along a line and further enhance the line's chances for financial viability. This program had good results and more than 40 railroads have come into existence under it. These carriers, like all short lines, primarily provide transportation to industries and communities that would otherwise have no rail service available.

We are not here, of course, to discuss that program, but I think it is important to mention it in passing as groundwork for the evolutionary process of small railroads in transportation, one in which the Congress has played a vital role. Naturally, the most significant development came with passage of The Staggers Rail Act of 1980.

Our member railroads and the Association were active in the long legislative battle that preceded enactment of that bill in October of 1980. In testimony on behalf of the Association on April 2, 1980, before the House Subcommittee on Transportation and Commerce, P. Howard Croft, President, endorsed the need for so-called deregulation of transportation, but urged that "any changes legislated in the regulatory framework be carefully structured to enhance rather than disrupt [the national rail] system." Of critical concern to small railroads were proposed changes in the statute governing joint rates whereby one carrier to such an arrangement would be permitted to unilaterally impose a surcharge on a joint rate or cancel its participation in it, and we proposed an amendment to enable small carriers to challenge proposals of this type by large railroads, one facet of which provided authorization for the ICC's Special Counsel "to assist such railroads in preparing a legally sufficient action..." The dispute over the surcharge and cancellation changes was among the most heated of any surrounding that bill and the potential adverse impact of these changes on small carriers was a key element in the controversy. However, not until a number of protections for small carriers were added through an amendment offered by Rep. Gary Lee, in concert with Subcommittee Chairman J. J. Florio, and Rep. Edward Madigan, and a specific provision authorizing assistance by the

Special Counsel was added in conference with the Senate, that small railroads withdrew their opposition to it. Those protections are now contained in 49 U.S.C. section 10705a (d), (i), (j), (k), (l), (m) and (o).

Through a series of split decisions the Commission has nullified most of the protection for short lines, sought to be accomplished by the amendments in section 10705a. However, one provision designed to assist short lines has worked very well. That provision, subsection (o), provides as follows:

(o) The Special Counsel of the Commission may, consistent with the rail transportation policy in section 10101a of this title, provide assistance to Class III carriers and small businesses in preparing actions under this section.

The Office of Special Counsel has been a real friend to short line railroads. When OSC was permitted to participate in Commission proceedings as a party* it looked out for the interest of small railroads. For example, in a major proceeding relating to the cancellation of joint rates (Docket No. 38589), Restructured Rates on Grain Products, Conrail, OSC forcefully argued that Congress has determined that the interests to be protected by 10705a (j) and (k) are those of the Class III carriers and that reference to other sections of the act "to defeat the clear interest of 10705a (j) and (k) is inappropriate and contrary to the legislative directive".

The Office of Special Counsel has not only been helpful in fulfilling its statutory mandate by counselling short lines in numerous instances on the application of the surcharge provisions, it has participated in individual cases and contributed a small carrier/shipper point of view in major rulemaking proceedings. To cite but one example, the Office of Special Counsel raised important questions and cautioned the Commission about the ramifications of approving the exemption proposed by Conrail for boxcar traffic in Ex Parte No. 346 (Sub-No. 8). However, the exemption was ultimately

* In 1983, the ICC changed its rules governing the Office of Special Counsel and now requires it to authorize participation by OSC in agency proceedings. That requirement should be rescinded.

approved by a split vote of the Commission and I believe that few, if any, decisions by the agency has aroused the controversy as has this one, particularly in the Congress. The last report I have indicated that nearly 200 members of the House and 70 members of the Senate have expressed opposition to this exemption, and legislation seems likely to be considered this session to eliminate its harsh consequences for small carriers.

Other offices of the Commission are sometimes contacted by short line railroads, but the Office of Special Counsel has always been a particularly responsive and reliable source of aid and information. I believe this is because the primary mission of the office is to provide public assistance. Our members depend on ready access to assistance and its availability, both promptly and authoritatively, is essential given the very short time frames contained in The Staggers Act for responding to proposed abandonments, contracts, surcharges and route cancellations. Its elimination would be a real loss to all concerned.

The number of short lines has been increasing as deregulation accelerates and Class I railroads "rationalize" their systems by eliminating branch line operations. I know that the Office of Special Counsel has assisted short line operators or potential short line operators in the context of numerous rail abandonment proposals and construction proposals, and it has also been responsible for the formation of new carriers.

For example, when it appeared that the opponents of the proposed branch line abandonment would be better off starting a new short line railroad, the Office of Special Counsel assisted the Tri-County Rail Authority in hearings concerning the Louisville and Nashville's proposed abandonment of its 60 mile Sparta branch line between Tullahoma and Sparta, Tennessee. The Office helped the Tri-County Railroad Authority in their efforts to obtain a short line operator, giving advice and counsel on funding, acquisition, negotiation, and operation of a short line. Ultimately the Caney Fork Railroad was created and now owns and operates the line.

In F.D. 29254F, Somerset Railroad Corporation Construction and

Operations of a Line of Railroad in Niagara Co., N.Y., the Office of Special Counsel assisted literally hundreds of groups and individuals in hearings concerning the location of a rail line being built to serve a coal fired utility. Oral hearings and environmental proceedings were conducted over a two year period. An Office of Special Counsel staffer assisted a local farmer and assembly line worker in mapping out his proposal for location of the rail line that maintained service to Lockport, N.Y., the county seat, but limited the adverse impact on surrounding farms and businesses. The route was initially opposed by the railroad, the electric utility, and the county government. With OSC's support and assistance (an OSC attorney formally presented the maverick proposal at the hearing and conducted direct and cross examination on its behalf) the line first favored by the railroad and utility was denied by the Commission. At the next round of hearings the railroad, the utility, and the county all supported the farmer's line, it was certified by the Commission, and it is now in operation.

These examples are just a few of the instances that could be cited where the Office of Special Counsel has helped "the little guy": shippers, farmers and ranchers, small railroads and small businesses. I know that similar examples could be cited in the bus and motor carrier area. Deregulation has been traumatic for many of these interests across the nation, especially small railroads. In debate preceding passage of The Staggers Act, Rep. Lee expressed two key objectives:

My major involvement in this legislation has been to insure that the small class II and class III carriers who are such an important part of our national railroad system will benefit and not be harmed by deregulation legislation.

* * * *

Our congressional policy is to encourage transactions involving class III carriers especially in situations where the alternative to continuation of service may well be liquidation of service. 126 Cong. Rec. H8553, (September 9, 1980).

The Office of Special Counsel has been a valuable resource for small railroads seeking to make the necessary adjustments under the new regulatory regime and thereby obtain some of the benefits of deregulation for themselves, as the Congress intended. We urge the Congress to preserve this small office in its present identifiable

structure and let it serve as a focal point in providing service so vitally needed by our members and other public parties involved in transportation. I do not believe the experience and talented personnel in that office will be able to operate effectively or efficiently if they are scattered among various other Commission offices, as I understand has been proposed. Finally, we also suggest that beyond continuation of the office, the Special Counsel should be vested with discretion as to the proceedings in which it will participate, as it was in the past. The present limitation frustrates the purpose of the office and inhibits the independent role it is designed to perform.

Our Board of Directors has adopted a Resolution in support of the Special Counsel, and a copy is attached to this statement.

Thank you for this opportunity to comment on this important topic. I shall be pleased to respond to any questions you may have.

Board of Directors Meeting
October 10, 1983

RESOLUTION

WHEREAS, The Special Counsel of the Interstate Commerce Commission was directed by the Congress to provide assistance to Class III railroads and small businesses in combating joint rate surcharges and route cancellations under 49 USC section 10705a; and

WHEREAS, The Special Counsel was given this responsibility by the Congress to satisfy the objections presented by Class III railroads against legislation authorizing joint rate surcharges and route cancellations and to ensure that their interests were adequately considered by the Commission in complaints or protests opposing such surcharges and cancellations; and

WHEREAS, The Special Counsel has not only provided assistance to Class III railroads in the manner intended by the Congress but has developed evidence and information for the benefit of the Commission, carriers, and the public on a wide variety of critical issues in the transitional era subsequent to enactment of The Staggers Rail Act of 1980 and the Motor Carrier Act of 1980; and

WHEREAS, A majority of the Interstate Commerce Commission has recently voted to eliminate The Special Counsel by failing to approve any funds for that function in fiscal year 1985; and

WHEREAS, The action by the majority of the Commission is contrary both to the intent of Congress and the will of Congress as reflected in 49 USC section 10705a;

BE IT THEREFORE RESOLVED, That The American Short Line Railroad Association opposes the unjustified action by the Interstate Commerce Commission eliminating The Special Counsel, and urges that funds for this essential function be restored by the Office of Management and Budget or the Congress.

STATEMENT OF RICHARD S. PAGE, PRESIDENT, WASHINGTON ROUNDTABLE

At the invitation of Administrator Ralph Stanley I have had the opportunity to review and comment on the draft policy statement dated February 1984, entitled Major Urban Mass Transportation Capital Investment Policy.

Mr. Stanley and his staff are to be commended for preparing this policy statement. It seeks to make explicit and systematic the criteria by which UMTA intends to consider, evaluate, and rank competing proposals for major capital commitments. The proposed statement is an understandable response to two current difficulties: (1) a long list of metropolitan areas seeking or preparing to seek major UMTA commitments, a list which appears to exceed the amount of federal funds now authorized for capital investments; (2) a tendency on the part of Congress to earmark or designate specific cities and projects for funding without full regard in all cases to a systematic planning process and in the absence of a careful comparative evaluation of the merits of such projects.

In view of these two concerns, and in view of the keen interest across the nation in major public transportation investments, it is obvious that a clear and consistent method of reviewing these investments is necessary. The proposed policy statement is the most detailed and systematic evaluation method which UMTA has ever proposed. The policy rightly emphasizes heavily local fiscal effort and tangible transportation benefits. If the policy is adopted, it will make the evaluation task easier for UMTA, it will assist Congressional committees, and it will go far toward clarifying for UMTA's grantees how UMTA reaches its decisions.

Nevertheless, the policy as it now stands in the draft form which I studied, also poses several risks. Let me explain these difficulties as follows:

1. The proposed statement over-reaches, by purporting to invent a "composite index" and reducing to some kind of quantified, mathematical basis certain factors which can not reasonably be so precisely measured. The statement, in short, does not leave sufficient room for the exercise of reasoned judgment by local and federal officials. Major capital investments should not be decided on the basis of politics, but it is naive not to recognize that planning and decision-making must reflect the political realities and urban needs and policy choices of each metropolitan area. I don't see in the proposed policy statement sufficient emphasis on this key point.

2. The proposed policy invites serious trouble by rewarding metropolitan areas which propose a higher local match. I believe strongly that this crucial factor, the ratio of federal-local funding, should be decided

and fixed by the Congress, not left in some planning-financial-political limbo. If the local match remains flexible, it rewards richer areas and punishes poorer areas. This is not a wise national policy. A flexible local match also invites undue pressure on appointed executive branch officials and staff.

3. The proposed policy deviates from prior UMTA policy, and part of the stated Congressional purpose of the UMTA program, when it specifically excludes consideration of urban development factors. The statement proposes to use new riders as a "surrogate" for the several kinds of benefits to congested urban areas which rail transit provides. Among these benefits are reductions in energy consumption, air pollution, and auto congestion, plus the role which rail transit plays in helping to shape private investment. The successful new rail systems in San Francisco, Atlanta, and especially Washington demonstrate these benefits. Although they may be harder to measure, they are real, and they should be given full and proper consideration in evaluating major investments. To illustrate this point, consider whether an estimate of new riders projected for Washington Metrorail would have been a reasonable or realistic way of knowing the scope and shape of the significant private investment which has occurred in the Washington metropolitan area.

I have some other minor questions on wording and emphasis, but these are the primary questions I have with the proposed policy.

Two more caveats are in order: first, whatever criteria or policy are finally adopted, they must have the firm support of the Secretary of Transportation, the Office of Management and Budget, and the authorizing and appropriating committees of the Congress if they are to be effective. Second, the criteria or policy finally adopted must be applied consistently and uniformly if they are to be fair.

Finally, I think it is important to consider the effect of the proposed policy statement. It seems clear that the effect, although not the stated intent, of the policy would be to depress demand, or stretch out and delay the number of major investment projects ready and approved for federal funding. This would have the effect of lowering federal outlays, or at least limiting and controlling them. This is one of several possible responses for dealing with more projects than currently available funds can cover. However, a better policy for our nation's cities would be to mobilize the resources, through a combination of increased federal, state, and local funds, required to meet important public transportation needs. Reasonable and clear criteria are necessary to evaluate project, but a proposed set of evaluation criteria is not an adequate substitute for a national policy for public transportation designed, funded, and approved by Congress to meet essential urban transit needs.

STATEMENT OF RICHARD H. DONLON, MANAGER OF MARKETING AND SALES,
TRANSPORTATION TECHNOLOGY DIVISION, OTIS ELEVATOR CO.

Mr. Chairman and Members of the Committee, I am Richard H. Donlon, Manager of Marketing and Sales, of the Transportation Technology Division of Otis Elevator Company, a subsidiary of United Technologies Corporation. We thank you, Mr. Chairman and Members of the Committee, for your consistent and strong support of the Advanced Group Rapid Transit (AGRT) Program of the Urban Mass Transportation Administration (UMTA).

Last year the Congress appropriated \$54.8 Million for UMTA Research, Development and Demonstration and University Research and Training within which the Senate report designated \$11 Million and the House \$9 Million for new technology. Each Committee recommended \$1 Million of this sum for component research (discussed hereafter). The House directed that \$8 Million be used for AGRT System testing. The Senate directed the obligation of \$10 Million for AGRT and magnetic levitation. Traditionally, \$2 Million has been designated for Maglev; so, in effect, both houses directed that \$8 Million be used for AGRT System testing.

There were two AGRT contractors at that time, but Otis was the only one in a position to begin system testing in 1984, assuming the appropriated funds were released by UMTA in a timely manner. This testing schedule has been consistently directed by the Congress over the last several years.

Mr. Chairman, as of this date, Otis has received only \$1.9 Million of these 1984 funds. Seven months into the fiscal year, we are essentially out of funds and will have to stop work within one month, layoff the entire project team and terminate all subcontractors unless additional funds are provided. UMTA indicated, on two separate occasions, that an additional \$2.35 Million of the appropriated 1984 funds would be provided to the Otis AGRT System Development for a total of \$4.25 Million; however, as of this time, no such funds have been released.

This is the third year in a row in which we have been brought to the brink of termination due to lack of timely release of funds by UMTA. Even though the total of \$4.25 Million is far below the \$9 Million indicated as required by Otis last year in testimony before this Committee, if the additional \$2.35 Million is released NOW, we can complete the test track

construction this summer and start vehicle testing under manual control in the fourth quarter of 1984—to be followed by the automatic control system installation and full scale system testing in 1985—assuming an adequate funding level is appropriated by the Congress and released by UMTA at the start of fiscal year 1985.

It should be noted that although UMTA asked for and received money appropriated for 1984 demonstration testing of selected AGRT components at the Pueblo Test Center, no work has yet been done. Otis supported the UMTA request for such testing with the objective of demonstrating the benefits of the advanced AGRT control system technology on rail equipment. This technology can be used to retrofit and upgrade existing rail properties to permit more traffic on line, more flexible scheduling and greater safety. It is also directly applicable to new automated rail systems and can provide these same significant improvements over existing control equipment.

While this component testing is important and valuable, it is not a substitute for the AGRT systems testing necessary to bring this whole new technology to the transit industry and should not be used as a device to kill AGRT.

The AGRT Development under the Otis contract is on the threshold of coming to fruition. Otis has made significant progress over the past year despite the stretch-outs in funding release. An updated aerial photograph of the UMTA AGRT Test Track near Denver (delivered as part of the Otis contract) and a photomontage of the equipment to be used on the track is attached to this testimony. As evidenced from these photographs, the system design, construction and manufacturing is nearly finished. Assuming adequate funding, the AGRT Engineering Development System at Otis-Denver will be ready in late 1985 to begin demonstration to public transit properties as an improved partial solution to their many problems.

As you may recall, last year we advised that 1984 would be the peak expenditure year followed by a sharp decline. The lack of adequate funds for 1984, in combination with the stretch-out by UMTA, has pushed the required funding peak into 1985. Funding needs will decline thereafter with the completion of the program and final reports in 1987, which is in accordance with the currently proposed completion schedule.

SUMMARY OF REQUEST

To complete the AGRT Engineering Development System Program and make the benefits of AGRT available to our cities in the second half of the eighties, it is respectfully requested that the Committee:

1. Fund AGRT at a level to complete the System testing on the AGRT Test Track, on the new schedule, in 1985-87. For this, Otis would require \$5.72 Million in 1985, \$3.87 Million in 1986, and \$2.74 Million in 1987. (If UMTA proceeds with component demonstration at Pueblo, an additional \$3.5 Million would be needed over the 1985 to 1987 period.)
2. Direct UMTA to release the balance of fiscal year 1984 AGRT funding immediately (\$2.35 Million to Otis) and to release fiscal 1985 funding as soon as the appropriations are made available, based on a completion schedule to be negotiated with the contractor in the immediate future.

The persistent delays in funding release and lack of determination to complete the program on the part of UMTA have wasted millions of dollars and made the program extremely difficult to manage in a way that maintains effective progress. With your support, we hope this can be changed because AGRT will prove to be one of the better developments in the transit industry over the last several decades.

As with our early efforts in the space program, there are certain basic things our nation should do to keep our public systems at the forefront, and the energetic sponsorship of new technologies and the creation of better transportation modes is one of them. If the nation does not continue to sponsor advances in transportation, I fear it will not be done. In the arena of public transportation private industry has found it extremely difficult to avoid losing vast sums of money, let alone project a return on investment which would justify the sponsorship of R&D Programs, such as AGRT, on their own.

To quote a recent policy report¹, "Conventional mass transit in American Cities is and long has been a dying industry - despite an elaborate effort by the public sector to save it. Conventional transit has broken down not because of undercapitalization, but rather because the world has changed

drastically since the invention of fixed route mass transit. The layouts of cities have changed, from single center pattern to more dispersion."

AGRT offers the opportunity to reverse this trend in public transportation. It is designed specifically to allow incremental implementation rather than requiring extensive mileage to be meaningful. Whereas a rail line running through the center of downtown would serve little benefit, a network serving multiple points downtown and facilitating peripheral parking—as well as connecting to corridors which could transition to bus service in the outlying regions—should be meaningful and viable in many of our cities. Small networks, started in outlying nucleated centers, would be connected to other nucleated centers only if it could be shown there were sufficient traffic between such centers to warrant the expenditure.

The problem with light or heavy rail systems is that they saddle the local and federal tax base with billions of dollars in debt and only capture five to seven percent of the work trips at most. AGRT, being less expensive in both capital and O&M costs than light rail—and being practical for concentrated area installations, in combination with bus feeders—is a much better answer.

We certainly agree with the need for the Administration and the Congress to balance the budget. AGRT, if completed on the requested schedule, can be of help in providing a system which can be financed primarily by local communities with little or no federal support. By installing AGRT systems in increments as an alternative to massive area wide rail systems, installations can be implemented where they are most viable at any given time, and thus reduce the demand for subsidies as well as taxes to service huge capital debts and operating costs which are associated with alternative forms of fixed right of way transit.

Our company has an investment of 16 years and in excess of \$13 Million in the development of an organization plus the basic technologies required for AGRT. UMTA has spent about \$50 Million to date on AGRT. These resources should not be turned off now to be turned on again at some future time. The investment in experience and know-how will be lost—not to mention the valuable time and opportunity to make public transportation in our cities more viable.

A discussion of the Government-Industry relationship in transit R&D is attached to this testimony (Attachment 2). I call your attention to the fact that the current AGRT contracts contain a clause which would return the Government's R&D investment via royalties obtained from future AGRT System installations in the United States and other countries. A copy of this clause is also attached to this testimony (Attachment 3).

I would now like to briefly review the characteristics and history of AGRT. AGRT is an automated guideway transit system which will use ten to one-hundred passenger electrically propelled vehicles operating on narrow elevated guideways to serve networks of stations in downtowns and congested corridors. Service can be provided to points within walking distance covering entire downtown areas. Typical downtown trips will take no more than five minutes. AGRT networks can be expanded without interruption of existing operations or degradation of service. Most important, AGRT can provide the quality of service required to attract riders from their automobiles and for life cycle costs lower than those of bus systems.

It is estimated that AGRT can attract two and a half times as many riders during rush hour and five times as many riders in off peak hours as bus systems serving the same areas. More important, AGRT vehicles are driverless and will operate on a demand basis during off peak periods. This will avoid the most significant problem encountered in bus and light rail systems, that of driving large fleets of virtually empty vehicles around during off peak periods with the attendant waste of money and energy. The 1978 average operating and maintenance costs for five existing small automated guideway systems was \$.17 per passenger trip as compared to \$.49 for buses and \$.58 for rail rapid transit.² The automated systems also provide an average 78 percent greater service capacity, in terms of passenger place miles per route mile per year, than light rail for an equivalent investment.² AGRT can further improve this service capacity advantage by a factor of 3 to 5 times.

Coupled with the quality of service to attract significantly greater ridership, this means that AGRT can provide the means to balance the life cycle cost versus revenue equation in mass transit.

The principal thrust of the current AGRT engineering development system contracts is to prove the key control system technologies required to provide

the network service and passenger capacity requirements. Such control system technologies are not available in existing automated transit systems. No scientific breakthroughs are required. We need only to demonstrate that these technologies work as an integrated system.

Extensive detailed information is available on AGRT as the result of five years of paper studies and six separate DOT/UMTA investigations prior to 1983. All of these investigations have resulted in reaffirmed support for AGRT.

I call your attention to the report from the Office of Technology Assessment issued in January 1980 entitled, "The Impact of Advanced Group Rapid Transit". This report is strongly supportive of AGRT development as contracted by UMTA in 1979. To quote from the OTA Report:

"Unless cities adopt forms of transportation that require less energy and space, they face a future of greatly increased traffic congestion and reduced mobility. Barring major policy changes, traffic congestion in cities is expected to double between 1975 and 2000. In addition, people dependent on public transportation will find it increasingly difficult to travel, particularly to dispersed suburban job centers where most of the employment growth is occurring." Also, "AGRT technologies appear capable of providing service levels that the public wants but cannot get with currently available transit technology."

The OTA Report also states that public transit serves only 2.5 percent of all urban trips — a sad commentary on the results of our massive investments in public transit.

Interest and support for AGRT will build in transit properties once they can see and ride the development system on the test track and compare AGRT's performance and cost characteristics with those of other fixed guideway transit.

As you know, the only constituency for R&D in mass transit is comprised of those who genuinely wish to improve the form, attractiveness, performance, and to reduce the life cycle costs of public transportation systems. The Administration apparently does not consider this constituency important and appears willing to forfeit the future opportunity to operate, at least a portion of public mass transit, on a balanced cost versus revenue basis.

It appears that UMTA is more determined than ever to stop the AGRT

development—even though the Otis AGRT is ready to begin the "pay off" phase of system testing and demonstration. A listing of the delays and interruptions which UMTA has imposed on the Otis AGRT development since mid 1983 is attached to this testimony for your information (Attachment 4). This pattern has persisted over the last several years despite Congressional direction to expedite the completion of AGRT development.

UMTA and Department of Transportation policies seem directed toward putting the U.S. transit supplier industry out of business. As you know, this has already been accomplished in the rail car industry where there is only one remaining U.S. based firm and that firm is foreign owned. On the other hand, Otis is installing a people-mover in Austria and has prospects elsewhere around the world. Otis believes that there is every reason to expect that AGRT will supply an international market, helping to reverse the huge balance of payments deficit now existing.

Furthermore, the bus industry is comprised of essentially only one major domestic supplier. This situation persists while 97% of U.S. cities must rely on buses for their sole means of public transportation.³ The record of the last ten years clearly established that UMTA and Department of Transportation policies, perhaps unwittingly, are assuring that the bus is the only alternative to the automobile in the vast majority of U.S. cities. The record of bus systems is clear. The national average ridership on public bus systems is only 5 percent of the capacity provided on an annual basis.

Mr. Chairman, we believe it is time to start turning this situation around.

In conclusion, we request the valued support of the Committee not only to continue the AGRT development as authorized but to expedite this program toward completion to a level which will permit deployments to start in U.S. cities in the 1980's.

REFERENCES

1. "Transit Planning in the 1980's" by Professor Gordon, Associate Professor of Economics at the University of Southern California, from Policy Report, a publication of the Cato Institute, November 1983.

2. N. D. Lea and Associates, Summary of Capital and Operations Cost Experience of Automated Guideway and Maintenance.
3. Transit Fact Book, 1978-1979 Edition, American Public Transit Association.

SUPPLEMENT TO STATEMENT OF RICHARD H. DONLON

UMTA has taken action to kill the AGRT development now. This action was taken on April 23, 1984, in direct defiance of the written direction, by both the House and Senate Transportation Subcommittees in 1983—and going back several years before that—to expedite completion of the AGRT development resulting in full-scale system testing on a test track in 1984, so that information can be made available to the transit properties.

As explained in our testimony, on Page 1, UMTA has released only a minor portion of the \$11 million appropriated FY 1984 funds which were intended for AGRT by the Congress. Otis has received \$1.9 million. As of Monday, April 23, 1984, UMTA officials advised Otis that no more funds will be released for AGRT system development...and that the remaining appropriated, but unallocated, 1984 AGRT funds may not be spent. In effect, the funds may be impounded.

Your intervention is most urgently and respectfully requested to direct UMTA to proceed with the completion of the AGRT development, as set forth in the AGRT contract, and as directed by Congress, using the funds appropriated for that purpose. If this is not done, the total investment in AGRT (\$50 million Government and up to \$25 million private)—and the extremely valuable technical staff personnel—will be lost within the next month. A \$5 million AGRT test track, near Denver, will be abandoned and probably ordered destroyed by UMTA. The opportunity for our transit industry to use the benefits of AGRT will be lost for the foreseeable future. This occurs when we are only a couple of years—and only a very few million dollars—from completion.

No rational case has been made for such actions on the part of UMTA and it

flies in the face of the six prior investigations—including the OTA study which resulted in strong support for the AGRT development.

If all of the remaining appropriated 1984 funds for AGRT can be made available to Otis now, there will be a significant reduction in funding requirements over the next three years. Specifically, the following table indicates funding requirements for 1985, 1986 and 1987, based upon the level of funds provided from the appropriated monies for FY '84 to the Otis contract.

REMAINING FUNDING REQUIREMENTS
(\$ Millions)

Possible Levels of 1984 Funds for AGRT System Development	FY 1985	FY 1986	FY 1987
8.0	4.0	2.9	1.7
7.0	4.0	2.9	2.7
6.0	4.0	3.9	2.7
5.0	5.0	3.9	2.7
4.0	6.0	3.9	2.7

The other AGRT contractor, Boeing, has continued its maglev development but is no longer working on AGRT system development; however, they are working on control system development at a reduced level of funding. Past contract modifications issued to Boeing have eliminated their AGRT test track and vehicles.

At least \$1 million of the '84 appropriation was earmarked by Congress for component development at Pueblo. Nothing has been done thus far, except to request suggestions for development of a scope of work to test out selected components and technologies on rail equipment at the Pueblo Test Center. There is no timeframe set forth for this activity to commence and no monies have been requested by UMTA for FY 1985 for such activities. Discussions with the UMTA staff indicate that contracts can not be expected before this fall, at the earliest. Experience indicates that new UMTA contracts typically

require one to two years to materialize. The likely result of stopping funds flow to AGRT development will be that those funds will never be released for any development.

UMTA continues to insist that many millions of dollars of Federal funds must be spent to bring AGRT to the market. This is not so. Otis is prepared—if the systems testing is successful, as we believe it will be—to do the necessary production tooling and marketing of AGRT without recourse to Federal funds. We remind the Committee that our contract calls for payment of royalties to the Government to recoup its investment. We believe we have developed a mass transit device that can be financed, built and operated locally without Federal subsidies and that can be marketed worldwide, helping our balance of payments and helping to restore United States preeminence in transportation. This prospect should not be frustrated, at this late date, by bureaucratic intransigence.

STATEMENT OF DONALD FRIEDMAN, PRESIDENT, MCR TECHNOLOGY, INC.

MCR Technology, Inc. (formerly Minicars, Inc.) has derived its principle revenue from competitive R and D contracts with the U.S. Department of Transportation since 1968. Our work and concerns about their appropriations are focused on three administrations, the National Highway Traffic Safety, Urban Mass Transportation and the U.S. Coast Guard.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

While we have conducted over twenty million dollars in research for NHTSA in the last 10 years, current budget limitations and policy decisions to emphasize data gathering, analysis, testing and component hardware have reduced our effort for this customer in the past two years to approximately \$500,000 per year. The reduced cash flow has made it essential to collect funds due or withheld on old contracts some dating back to 1976. Congressman Lagomarsino has been extremely helpful through his Prompt Payment Act to eliminate delays of current invoices. He has also taken an interest in the delays of withheld and final payments resulting from the process by which contracts are closed.

Our problem is that there were 16 contracts dating back to 1976 on which the Department of Transportation owed us approximately \$450,000. We appreciate the agency's efforts this month when we were desperate to disburse \$133,000, but our concern is for the remainder since the negotiations took place in May of 1983. NHTSA's contracts and procurement and financial people are struggling to try and pay another \$100,000 owed on contracts written in 1976 in the next month, but their problem is that the amounts owed and any interest due must be paid from current project funds. With the tight budgets at NHTSA, that means cancelling or curtailing current programs, which may generate negative feelings and affect future awards to our company.

THEREFORE WE REQUEST THAT THE APPROPRIATIONS COMMITTEE INCLUDE IN THE NEW BUDGET AN R AND D LINE ITEM ADDING THE AMOUNT OF \$500,000 TO COVER THE COSTS OF CLOSING CONTRACTS FROM PREVIOUS YEARS.

In technical areas we are still concerned about the level of research in dealing with the unrestrained occupant (85% of all occupants) through engineering improvements in both Crashworthiness and Collision Avoidance and Mitigation. We provided the attached Public Comment on Federal Motor Vehicle Safety Standard 208, in which we indicated that retaining or amending the automatic occupant protection requirements of FMVSS 208 are far preferable to rescission, because public appreciation for the value of automatic restraints in reducing casualties will result from even a limited implementation. Perhaps that appreciation expressed by consumer demand in the marketplace will force manufacturers to offer such safety systems in all models.

URBAN MASS TRANSPORTATION ADMINISTRATION

Developing and Manufacturing Specialty buses are another area of our expertise. Recent award procedures on competitive procurements from transit properties have selectively ignored UMTA guidelines for life-cycle costs either through factually faulty technical evaluation or by ignoring the life-cycle costs to select the contractor desired. A protest first to the property and then to UMTA resulted in a disclaimer that UMTA WOULD NOT review the procurement award procedure nor assist the property in resolving the fuel economy discrepancies unless it could be shown that the property acted arbitrarily or capriciously. In other words, UMTA won't get involved just because the evaluation can be shown to be technically faulty. In our opinion, this unwillingness to insure that guideline procedures are followed, indicates a lack of concern for control of the Billions in transit money UMTA spends.

U.S. COAST GUARD

The offshore oil industry has been plagued with Drill Rig disasters in which all hands are lost. When a rig does down, in the order of one hundred people are killed and this goes on year after year. The Norwegian government some ten years ago initiated a research and development program to safely and rapidly remove workers from Rigs which are about to capsize. That program has resulted in a lifeboat which can be launched from a platform as high as sixty feet in the air and free fall to the water without injury to the occupants. That lifeboat has now reached the limited production stage and is being required by the Norwegian government (and possibly the European Economic Community) for all new platforms operating in the North Sea.

With private funds and with the full cooperation of the Coast Guard, our company has developed a competitive product, which not only provides a comparable level of safety, but which can be added to existing lifeboats as a retrofit, at far less cost. While the Coast Guard has reviewed the specifications, witnessed the full scale tests (from 60 feet) we conducted last year and given our Water Entry System type approval, there is considerable reluctance on the part of the Offshore drilling platform operators and owners to buy and install such devices without a Federal requirement. As far as we can tell the Coast Guard does not intend to create such a requirement for at least five years or until other countries beside Norway and the European Economic Community adopt and enforce one.

It seems to us, that although the technology upon which our Water Entry System is based and the units themselves are readily available, they are being treated by government and industry alike, in the same manner as air bags. That is, the fact that many lives could be saved in platform disasters doesn't provide enough incentive for manufacturers to incorporate them, nor for the government to require them. That's a sad commentary on the value of human life in these United States. We believe that Congress through a line item appropriation should require the Coast Guard to study and experiment with rapid and safe removal of oil platform workers in impending disaster circumstances. And that such activities should be directed to leading the world in promulgating a rule to require their use.

PUBLIC COMMENT ON FEDERAL MOTOR VEHICLE SAFETY STANDARD 208

As the major research and development contractor to NHTSA from 1976 to 1981 MCR Technology Inc (formerly Minicars) has had many opportunities to contribute to and evaluate agency options regarding automatic occupant protection (Testimony to House and Senate committees which are pertinent are referenced at the end of this brief statement).

We herewith submit our requested comments on FMVSS 208 in the form of an answer to the question "What should the government do to minimize the societal cost of occupant injury in auto accidents?" Our answer is to provide the car buying public with accurate information upon which to base a purchase decision and ensure that manufacturers will competitively satisfy the resulting demand.

Retaining or amending the automatic occupant protection requirements of FMVSS 208 are far preferable to rescission particularly since even the most limited implementation results cannot be obtained in a reasonable demonstration program. Even limited implementation results will direct manufacturers to design and provide better protection in anticipation of consumer demand in the marketplace, which will surely come as a consequence of the public dissemination of information under Title II.

As a result of Government funded studies dealing with a variety of options and based on technical and analytical benefit/cost considerations there are three points I need to make.

1. Much progress in understanding the bio-mechanical, bio-medical aspects of occupant injury in auto accidents has been made in the 14 years during which FMVSS 208 has been debated. We now have a reasonably good idea about how badly injured an occupant would be in a particular car collision using or not using each type of restraint. And how each type of restraint can be designed and manufactured to exceed the protection required by FMVSS 208. However, NHTSA has refused to compare the level of protection afforded occupants of different vehicles in the real world, preferring to say only that the vehicle passes or fails a test. Clearly there is no incentive for the manufacturer to protect better than necessary to pass.
2. Recent research has shown that it is now possible to automatically protect occupants by making minor modifications to vehicle interiors and pass the FMVSS 208 injury criteria in compact or larger vehicles without the use of restraints at all. However, if the public were aware of the difference in the resulting level of injury, more would use the belts, or surely chose to buy cars with automatic restraints. With virtually 100% of all cars equipped with seat belts 85% of which are unused, NHTSA does not test or evaluate (nor require manufacturers to test or evaluate) new cars nor publish the results of experimental crash tests with UNRESTRAINED occupant surrogates. Nor, as mentioned in 1 above, are comparisons made public on the relative protection afforded by alternate restraint systems.
3. Lastly, in spite of clear statistical significance, NHTSA has not published the relative Fatality and Injury rates for makes and models of vehicles and their drivers which show that sports and sportier cars and some small cars result in substantially (factors of two to four) higher rates than other cars. Clearly occupants of these vehicles need better protection more frequently (and therefore more urgently than those in other cars).

The following recommendations are presented in my preferred priority sequence for three levels of implementation difficulty (whose choice involves socio-political judgements I am not qualified to make). First priority would be for NHTSA to maximize the potential benefit to society but with a nominal benefit/cost ratio; Second priority would be to accept a lesser benefit with higher benefit/cost and Third priority would be to require implementation with the greatest possible benefit/cost ratio.

The rate of implementation in each priority ought to be associated with keeping manufacturing costs low through volume production of at least one million restraint units of each type per year. The vehicles to which it should be

applied first should be those with traditionally high fatality and injury rates. Even the most limited implementation is justifiable in preference to rescission and should not be rejected on legislative mandate, department policy, political judgement, manufacturers unwillingness, public/marketplace reaction or let's-wait-and-see grounds.

A typical decreasing benefit set of implementation actions are as follows:

PRIORITY 1. RETAIN THE AUTOMATIC OCCUPANT PROTECTION REQUIREMENTS OF FMVSS 208;

I believe a 5 year staggered implementation would be most acceptable equipping in 1985, the most dangerous car/driver combinations (as identified by the make/model fatality and injury rates/100,000,000 miles analyzed for NHTSA by MCR and others) and ending with at least unrestrained (but still classified as automatic) occupant protection in all compact and larger cars 5 years later.

PRIORITY 2. AMEND THE AUTOMATIC OCCUPANT PROTECTION REQUIREMENTS OF FMVSS 208;

Include the unrestrained occupant option above and a test condition which assures compliance in compacts and larger cars, whether other restraints are included or used or not. Stagger implementation as above.

PRIORITY 3. AMEND THE AUTOMATIC OCCUPANT PROTECTION REQUIREMENTS OF FMVSS 208;

Provide for early implementation by restricting compliance of the above to driver only protection. Stagger implementation as above but require air bag only on the most dangerous types.

FURTHER RECOMMENDATION: INCREASE TITLE II EFFORTS

It is essential for NHTSA to focus on mandating protection as soon as possible at least for the most dangerous car/driver combinations because the general public at first will not be effected, the general public will support restrictions on the "dangerous car/drivers" and such car/drivers can't object too strenuously to the cost (because of the potential savings) since they are all ready spending 50 to 100% more than a conventional car, not to mention 200 to 500% greater insurance premiums. These implementations will then become examples available to the public and influence consumer demand to which manufacturer's traditionally respond.

Specifically, increase the level of effort in market incentives to emphasize public information about the degree of real world protection afforded unrestrained occupants. (At present in spite of only 15% restraint usage, pass or fail criteria are provided to the public only about restrained occupants in 35 mph crashes.) The NHTSA should provide and have posted on the sticker two simple figures of merit (say on a scale of 100) for each front seat position of each car of the protection afforded restrained (with alternate available restraints) and unrestrained occupants in similar crashes.

FURTHER RECOMMENDATION: MANDATORY SEAT BELTS

In parallel with the above, a push for mandatory seat belt usage is needed. If states can enact legislation for mandatory child restraints, it seems to me that the next logical step is to keep the kids from being orphans.

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